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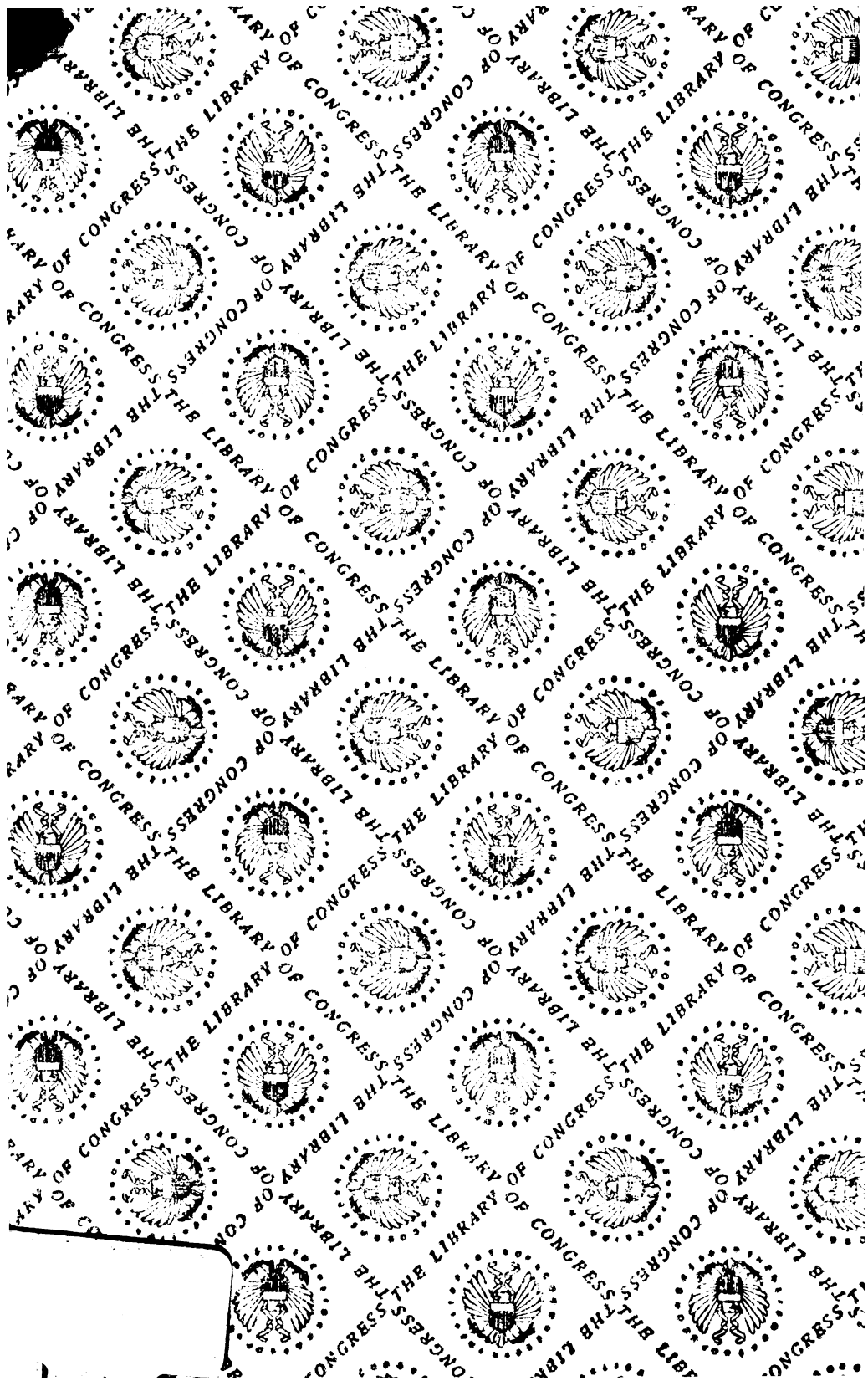
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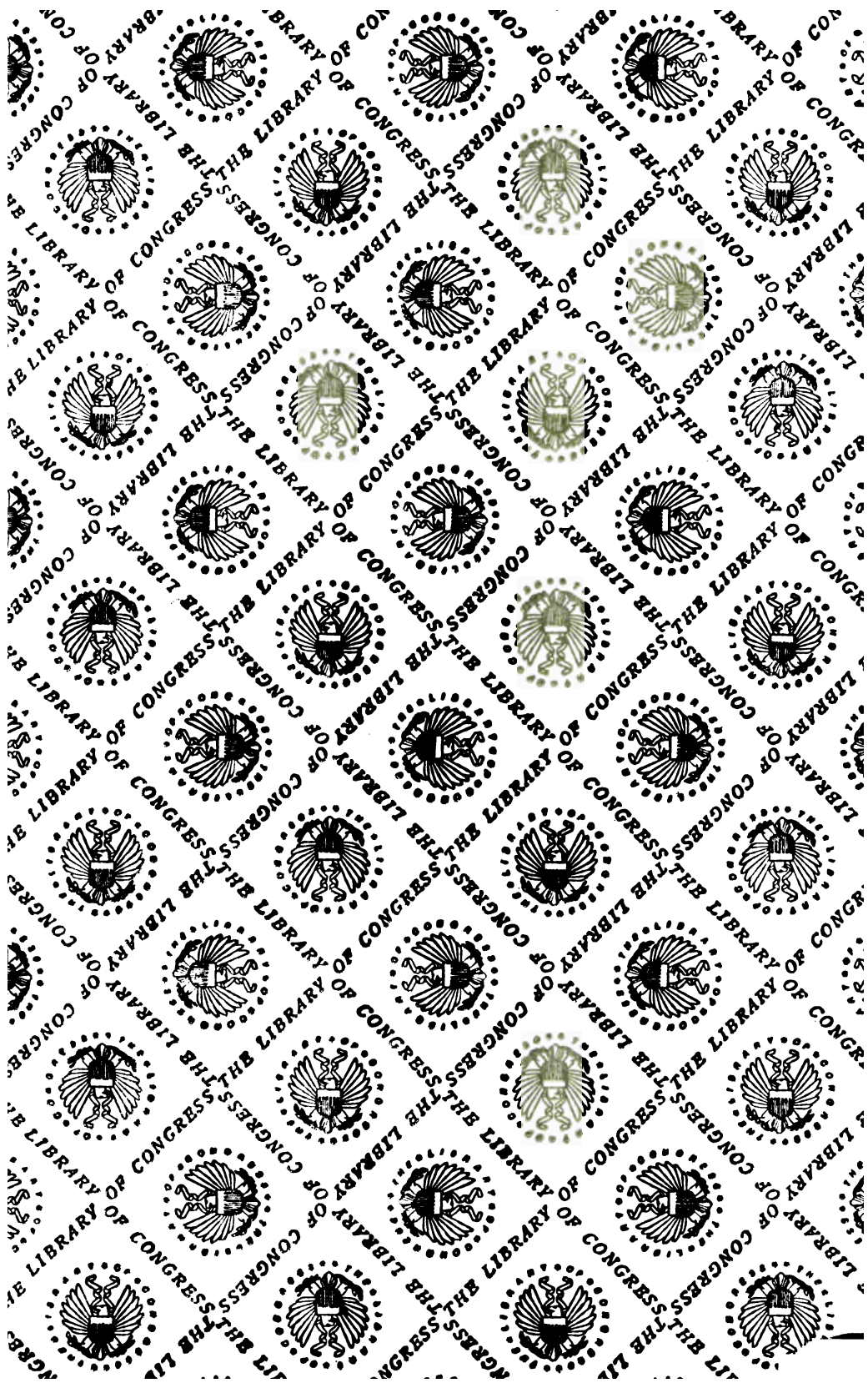
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59TH CONGRESS,
2d Session.

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1907

SENATE.

{ DOCUMENT
No. 372. }

FREE TOBACCO BILL.

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373

HEARINGS

HELD DURING THE FIFTY-EIGHTH AND
FIFTY-NINTH CONGRESSES

ON

BILLS FOR THE RELIEF OF TOBACCO GROWERS,

H. R. 14896, FIFTY-EIGHTH CONGRESS,

AND

H. R. 14972, FIFTY-NINTH CONGRESS,

BEFORE

SUBCOMMITTEES OF THE FINANCE COMMITTEE,
UNITED STATES SENATE.

MARCH 1, 1907.

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Mr. ALDRICH presented the following hearings held by the subcommittees of the Committee on Finance during the Fifty-eighth and Fifty-ninth Congresses on House bills 14896 and 14972, known as the "Free tobacco bills."

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The bills referred to in these hearings are as follows:

[H. R. 14896, Fifty-eighth Congress, second session.]

AN ACT For the relief of tobacco growers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subdivision nine of section thirty-two hundred and forty-four of the United States Revised Statutes, as amended by section sixty-nine of the act entitled "An act to reduce taxation, to provide revenue for the Government, and for other purposes," approved August twenty-eighth, eighteen hundred and ninety-four, is hereby further amended so as to read as follows:

Every person whose business it is to manufacture tobacco or snuff for himself, or who employs others to manufacture tobacco or snuff, whether such manufacture be by cutting, pressing, grinding, crushing, or rubbing of any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco, or manufactured or partially manufactured tobacco or snuff, or the putting up for use or consumption of scraps, waste, clippings, stems, or deposits of tobacco resulting from any process of handling tobacco, or by the working or preparation of leaf tobacco, tobacco stems, scraps, clippings, or waste, by sifting, twisting, screening, or any

other process, shall be regarded as a manufacturer of tobacco: *Provided*, That unstemmed tobacco in the natural leaf and not Manufactured or altered in any manner shall not be subject to any internal-revenue tax or charge of any kind whatsoever, and it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without payment of tax of any kind: *Provided further*, That any person who sells natural leaf tobacco to manufacturers of tobacco, snuff, or cigars shall be deemed and considered a dealer in leaf tobacco and become subject to all the provisions, rules, and regulations of subsection six of section thirty-two hundred and forty-four, United States Revised Statutes, as amended by section fourteen, act of March first, eighteen hundred and seventy-nine, and also as amended by the act of March third, eighteen hundred and eighty-three, and, further, shall be subject to all the provisions of section thirty-three hundred and sixty, United States Revised Statutes, as amended by section fourteen, act of March first, eighteen hundred and seventy-nine, and of sections thirty-three hundred and fifty-nine and thirty-three hundred and ninety-one, United States Revised Statutes: *And provided further*, That farmers and growers of tobacco may sell leaf tobacco of their own growth and raising to manufacturers of tobacco, snuff, or cigars without being considered leaf dealers or manufacturers of tobacco and shall not be subject to the sections of the law and amendments thereof above named.

Passed the House of Representatives April 18, 1904.

Attest:

A. McDOWELL,

Clerk.

By WM. J. BROWNING,

Chief Clerk.

[H. R. 14972, Fifty-ninth Congress, first session.]

AN ACT For the relief of tobacco growers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subdivision nine of section thirty-two hundred and forty-four of the United States Revised Statutes, as amended by section sixty-nine of the act entitled "An act to reduce taxation, to provide revenue for the Government, and for other purposes," approved August twenty-eighth, eighteen hundred and ninety-four, is hereby further amended so as to read as follows:

"Every person whose business it is to manufacture tobacco or snuff for himself, or who employs others to manufacture tobacco or snuff, whether such manufacture be by cutting, pressing, grinding, crushing, or rubbing of any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco, or manufactured or partially manufactured tobacco or snuff, or the putting up for use or consumption of scraps, waste, clippings, stems, or deposits of tobacco resulting from any process of handling tobacco, or by the working or preparation of leaf tobacco, tobacco stems, scraps, clippings, or waste, by sifting, twisting, screening, or any other process, shall be regarded as a manufacturer of tobacco: *Provided*, That unstemmed tobacco in the natural leaf and not manufactured or altered in any manner shall not be subject to any

internal-revenue tax or charge of any kind whatsoever, and it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without payment of tax of any kind: *Provided further*, That any person who sells natural leaf tobacco to manufacturers of tobacco, snuff, or cigars shall be deemed and considered a dealer in leaf tobacco and become subject to all the provisions, rules, and regulations of subsection six of section thirty-two hundred and forty-four, United States Revised Statutes, as amended by section fourteen, act of March first, eighteen hundred and seventy-nine, and also as amended by the act of March third, eighteen hundred and eighty-three, and further, shall be subject to all the provisions of section thirty-three hundred and sixty, United States Revised Statutes, as amended by section fourteen, act of March first, eighteen hundred and seventy-nine, and of sections thirty-three hundred and fifty-nine and thirty-three hundred and ninety-one, United States Revised Statutes: *And provided further*, That farmers and growers of tobacco may sell leaf tobacco of their own growth and raising to manufacturers of tobacco, snuff, or cigars without being considered leaf dealers or manufacturers of tobacco, and shall not be subject to the sections of the law and amendments thereof above named."

Passed the House of Representatives March 6, 1906.

Attest:

A. McDOWELL, *Clerk*.

FREE TOBACCO BILL.

HEARINGS BEFORE THE SUBCOMMITTEE OF THE COMMITTEE ON FINANCE, UNITED STATES SENATE, ON H. R. 14896, FOR THE RELIEF OF TOBACCO GROWERS.

WASHINGTON, D. C.,
Tuesday, January 24, 1905.

The subcommittee met at 3 o'clock p. m., Hon. Nelson W. Aldrich in the chair.

Present: Senators Aldrich (chairman), Allison, Platt, of Connecticut, Daniel, and Gorman, of the subcommittee; also Senators Bate, McCreary, and Carmack.

Present, also, Hon. John Wesley Gaines, Representative from Tennessee, and Hon. South Trimble, Representative from Kentucky.

Present, also, John Landstreet, esq., of Richmond, Va., representing the Independent Tobacco Manufacturers' Association of the United States.

The subcommittee thereupon proceeded to the consideration of the bill (H. R. 14896) "For the relief of tobacco growers."

STATEMENT OF JOHN LANDSTREET, ESQ., OF RICHMOND, VA., PRESIDENT OF THE INDEPENDENT TOBACCO MANUFACTURERS' ASSOCIATION OF THE UNITED STATES.

Mr. LANDSTREET. Mr. Chairman, I am the president of an organization known as the "Independent Tobacco Manufacturers' Association of the United States." The members of that association manufacture about 70 per cent of the total amount of tobacco placed upon the market by independent manufacturers. At their annual meeting in Philadelphia, on the 10th of December last, they requested me to ask for a hearing on the Gaines bill before action was taken by the Senate committee and to express their views and to place them on record in opposition to the bill.

There are very many reasons for this action, but not knowing until late yesterday evening that the hearing was to take place to-day, I have not prepared anything in writing. Among the many reasons, we find, upon investigation among other manufacturers, that the bill passed in 1890 was largely brought about by conditions similar to those that are supposed to exist to-day, with the exception that at that time the tobacco industry did not have to contend with the so-called "trust" that exists to-day.

The CHAIRMAN. You are speaking about the McKinley Act, I suppose?

Mr. LANDSTREET. Yes, sir.

The CHAIRMAN. The act of 1890?

Mr. LANDSTREET. That bill permitted the grower to sell tobacco in the hand—that is, unstemmed and unmanufactured, as we understand the present bill permits; and for the first year it had very little effect upon the tobacco industry. It affected very slightly the business of the tobacco manufacturer and the revenues of the Government. As the bill came to be known and understood in the country generally, leaf dealers—not farmers, but leaf dealers over the country—became distributors and peddlers of leaf tobacco. To such an extent did the practice grow that through some sections of the South, and especially in the State of Tennessee—as I find by looking up the records—the consumption of tobacco not bearing the internal-revenue stamp, but that had come directly from the farmer without any stamp, was supposed to be as large, if not larger, than the consumption of manufactured tobacco tax paid. That was the case in 1893 in most of the Southern States south of Kentucky and as far south as Texas.

The company with which I am now connected sold at that time about 2,000,000 pounds of chewing tobacco annually through the States of Virginia, North and South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Arkansas, and Texas. In about eight months their business was reduced to about 300,000 pounds.

Senator CARMACK. What was it originally, do you say?

Mr. LANDSTREET. About 2,000,000 pounds. Our agent who travels that section tells me that when, in 1894, by a Democratic House, that law was repealed, he bought from the retail merchants through these Southern States a sufficient supply of unmanufactured tobacco to run the factory for a number of months. That was the supply that they had purchased from the leaf dealers at Danville, Lynchburg, and in other sections of the country, to be sold at retail unstamped. Under that law, if I am correctly informed, the farmer could sell his tobacco to anyone he chose, as he can to-day. The difference was that the retailer who purchased this tobacco from the farmer had to keep a list of the parties who purchased from him, and that list was subject to the inspection and supervision of the revenue officers.

I am advised that the present bill does not contemplate that; that the merchant can buy and sell at will and pleasure, without any restriction whatever, so long as he does not manufacture the tobacco or stem it.

Senator ALLISON. That is, under the present law?

Mr. LANDSTREET. That I understand to be the present law; yes, sir.

The CHAIRMAN. No; the suggested law, you mean.

Mr. LANDSTREET. The suggested law.

The CHAIRMAN (to Senator Allison). He means the bill which is now before us.

Mr. LANDSTREET. The bill that we are discussing.

The CHAIRMAN. Oh, no; the present law does not contemplate that.

Senator ALLISON. That is what I mean.

Mr. LANDSTREET. Oh, no; under the present law the farmer can sell to anyone he chooses, but the buyer has to register with the Government.

The CHAIRMAN. He has to keep a list of his sales?

Mr. LANDSTREET. Yes, sir.

The CHAIRMAN. Under the supervision of the Government?

Mr. LANDSTREET. As though he were a manufacturer.

Senator ALLISON. He is a licensed man, without paying for a license?

Mr. LANDSTREET. Yes, sir; there is no charge, but he has to register and receive a license.

It is a notorious fact that latterly, when this business grew to be very large the leaf dealers who sold this leaf tobacco, principally through the South, carried with them printed directions for the manufacture of tobacco that they gave to the merchant when they delivered it or his order; and when the merchant sold a consumer 5 pounds, or more or less, of tobacco he in turn gave him, if he desired it, printed instructions for the manufacture of that tobacco. These instructions stated the quantities of the different ingredients that, added to the tobacco, would promote its keeping qualities and would make it pleasant to the taste. In other words, they enabled him to manufacture his own tobacco for his own use and that of his family, if he desired, or his neighbors, and that was very largely done.

With the exception, I might say, of the tobacco grown in what is known as the fired-tobacco belt of Virginia and an edge of North Carolina and the west Tennessee belt, including the Green River section, nearly all the tobacco that is grown in the Southern States is manufactured in the United States. The greatest quantity that is not manufactured here consists of what is known as Bright cutters and wrappers, that are exported to England principally for the manufacture of the best Virginia tobacco. This, in turn, is largely sent back to us, bearing an English name, for consumption by certain individuals who prefer that brand on it.

All other tobacco that is used for chewing and smoking purposes, outside of cigars, cheroots, and stogies, is grown through those States, and is susceptible of being used without the addition of any ingredient whatever. A large quantity of it is so used, and more would be if it were not for the fact that the manufacturer has to put something in his tobacco to prevent it from being too susceptible to climatic conditions and changes. He has to do something to make it retain its form and shape until it is disposed of by the merchant. Otherwise, of course, it swells up and gets in bad and ugly shape and is not considered merchantable, and he has trouble. But if it were not for that fact a very large business could be built up by every manufacturer using what is known as Virginia flue-cured, Virginia sun-cured, and burly air-cured tobacco, raised principally in Kentucky and Ohio.

I do not think the tobacco grown in west Tennessee is consumed in this country at all. I think, Mr. Gaines, that but for these considerations your constituents would come to us and get their leaf tobacco and still have the same market they now have for their tobacco, and that scarcely a pound of it would be consumed in Tennessee or elsewhere in this country.

Senator PLATT, of Connecticut. Where does it go?

Mr. LANDSTREET. It is nearly all exported.

Mr. GAINES. From 80 to 85 per cent, Mr. Chairman, of the tobacco known in Kentucky and Tennessee as "dark tobacco" is exported.

Mr. LANDSTREET. That is right, I think.

Mr. GAINES. That is correct.

Mr. LANDSTREET. I think that is right; and I think that of the dark tobacco grown in Tennessee there is even a larger percentage exported.

Mr. GAINES. Kentucky and Tennessee have the same soil where this "dark" tobacco grows.

Mr. LANDSTREET. Yes.

Mr. GAINES. You refer now to what is known as the "dark tobacco?"

Mr. LANDSTREET. Yes. Now, we as manufacturers do not know and have not heard of any benefit that could come to the farmer by reason of the passage of this proposed law.

Mr. GAINES. Have you read the hearings here, Mr. Landstreet?

Mr. LANDSTREET. I have.

The CHAIRMAN. Mr. Gaines, I think you will have to let Mr. Landstreet go on in his own way.

Mr. GAINES. All right; all right.

Mr. LANDSTREET. It is certainly a fact that he must dispose of a large proportion of his crop to manufacturers, provided the manufacturers are to continue in business and provided the Government desires them to continue and desires the revenue from the tobacco business. If this bill becomes a law, and it does not injure the tobacco manufacturers of the United States, it will not help the farmer. If, on the other hand, it is helpful to the farmer, and this becomes a large industry, it will deprive the Government of that much revenue and destroy that much of the capital now invested in the tobacco business.

I and those who are associated with me are of the opinion that one of the things that most largely contributed to the formation of the Continental Tobacco Company was the law passed in 1890. It brought about conditions in the tobacco business that were so disastrous that the manufacturers were at their wits' end to know what to do, and they finally got together and formed what was afterwards known as the Continental Tobacco Company. The industry was at that time in a very deplorable condition, as I think statistics will show; and since that time, by reason of the formation of the Continental and American Tobacco companies, the so-called "independent manufacturers" have had a very hard struggle for existence. They are now beginning to get on their feet, have a fair and reasonable amount of business, and feel that they can in time not only succeed in their business but build up a formidable opposition to the present power in the tobacco business.

So far as this act is concerned, I believe it will be very much more harmful to the independent manufacturer than to the so-called "trust," for many reasons.

First, the trust manufactures to-day most largely what is known as "navy" chewing tobaccos, made chiefly from burly tobacco and not from bright or Green River or Tennessee darks. After they are manufactured these tobaccos have from 80 to 100 per cent of foreign material added to them, or to 100 pounds burly strips may be added from 80 to 100 pounds of substances other than tobacco.

The CHAIRMAN. In weight, do you mean?

Mr. LANDSTREET. In weight. To 100 pounds of burly strips—nice, bright, burly strips, known as "star fillers," for instance—it is

nothing uncommon for the manufacturer to be able to add in the neighborhood of 100 pounds of foreign matter.

The CHAIRMAN. Such as what?

Mr. LANDSTREET. Such as sugar, licorice paste, etc.—all healthy, good articles, sir. The demand at that time was for heavy, sweet navies, and not for natural leafs. To-day the tendency is toward natural leafs, and there is a great demand for what we call hand-made twists—old-fashioned twists with very little sweetening and very little of any foreign substance in them. That demand is not as great in the West as it is in the South. We think that by reason of the fact that the trust owns and controls fully 90 per cent of all the sweet navy tobacco business in the United States, while whatever the independent manufacturers may make of plug tobacco is tobacco containing very little foreign substance, a large percentage at least of the loss that will follow the passage of this bill will fall upon the men who manufacture tobacco that is not heavy sweet, but near the natural leaf stage; and those tobaccos are most largely made by the independent manufacturers and in the South.

So far as the smoking end of it is concerned, the same is true. There are very few independent manufacturers located through the West. The majority of them are in the Southern States. Their tobacco for smoking purposes is made principally from Virginia tobacco. That Virginia tobacco will be the thing that the South will be flooded with, in the hand; and if the weather happens to be dry, the man who buys it can take it and rub it up in his hand and he has a perfectly manufactured article for smoking.

It has been also suggested that by the use of saccharine, which is now remarkably cheap (I think about \$1 a pound, and 1 pound of which equals in sweetening power perhaps 550 pounds of sugar), any one desiring to do so can evade the law by dissolving a small quantity in a little water and ordering his tobacco with that water; and it will be impossible to detect who did it, or when it was done, or anything about it. We think that will also be done, and it will very seriously hurt the business.

I have here a copy (for it is not, I suppose, easily accessible) of a memorial presented on January 22, 1894, to the chairman of the Ways and Means Committee, which was prepared at a meeting of the tobacco manufacturers, at which there appeared to be present men who manufactured in the year ending December 31, 1892, about 250,000,000 pounds of tobacco out of a total of 274,000,000 pounds.

The CHAIRMAN. What year was that?

Mr. LANDSTREET. That was in the year 1892.

The CHAIRMAN. That was at the time the free-leaf bill was in operation?

Mr. LANDSTREET. In operation; yes, sir. This memorial was presented on January 2, 1894.

Senator PLATT, of Connecticut. How many were there of those men?

The CHAIRMAN. That was at the time the Wilson bill was pending in the House.

Mr. LANDSTREET. At the time the Wilson bill was pending in the House.

Senator PLATT, of Connecticut. I do not mean in the number of pounds manufactured, but how many different concerns were there, do you know?

Mr. LANDSTREET. I do not, sir. I presume that at that time——

The CHAIRMAN. This was at the time the Wilson bill was pending before the Committee on Ways and Means.

Senator PLATT, of Connecticut. What I was trying to learn and what I have not yet learned is how many are there of these independent manufacturers?

The CHAIRMAN. This was twelve years ago, Senator Platt.

Mr. LANDSTREET. In the United States, sir?

Senator PLATT, of Connecticut. Now?

Mr. LANDSTREET. About 670, sir.

The CHAIRMAN. Most of them located in different parts of the South, you say?

Mr. LANDSTREET. Located more largely in the South, sir; although through all parts of the country now there are springing up manufacturers of very small caliber, who manufacture what is known as "scrap tobacco." It is made from cigar clippings; and it is estimated that last year there was a business of 35,000,000 pounds done in this scrap business.

Senator PLATT, of Connecticut. One question more and then I will not ask any others. These independent manufacturers are in no way in combination or collusion with what is called "the trust?"

Mr. LANDSTREET. Absolutely none, sir.

Senator BATE. It is a pretty big concern itself, though, is it not?

The CHAIRMAN. Mr. Platt, I will state that in the caption of this memorial it is said that the men present at that meeting represented 250,000,000 pounds out of 274,000,000.

Mr. LANDSTREET. In that year 274,000,000 pounds had been the output of tax-paid tobacco.

Senator BATE. A year, you mean?

Mr. LANDSTREET. Yes, sir.

Senator ALLISON. Of which they represented 250,000,000. Is that the idea?

Mr. LANDSTREET. Yes, sir.

The CHAIRMAN. I think it would be a good idea for that memorial to be read.

Mr. LANDSTREET. Shall I read it?

The CHAIRMAN. Yes, sir; I think you had better, because it quotes from the Commissioner of Internal Revenue and gives various other facts which I think are quite pertinent to this inquiry.

Mr. LANDSTREET (reading):

"Relative to the laws allowing retail dealers and farmers to sell leaf tobacco to the consumer without payment of tax, the manufacturers earnestly insist that section 26 of the law passed October, 1890, which is as follows:

"SEC. 26. That on and after the first day of May, eighteen hundred and ninety-one, all special taxes imposed by the laws now in force upon dealers in leaf tobacco, retail dealers in leaf tobacco, dealers in tobacco, manufacturers of tobacco, manufacturers of cigars, and peddlers of tobacco are hereby repealed. Every such dealer in leaf tobacco, retail dealer in leaf tobacco, manufacturer, and peddler shall, however, register with the collector of the district his name, or style, place of residence, trade or business, and the place where such trade or business is to be carried on, the same as though the tax had

not been repealed, and a failure to register as herein required shall subject such person to a penalty of fifty dollars'—

"Is a great injury to the manufacturers and the taxpaying consumers and to the income of the Government.

"The honorable Commissioner of Internal Revenue, in his report for the fiscal year ending June 30, 1893, on page 25, says"—

The CHAIRMAN. Do you know who that Commissioner was?

Mr. LANDSTREET. I think Mr. Scott.

The CHAIRMAN. No; it could not have been, in 1893.

Senator GORMAN. What is the year?

Mr. LANDSTREET. 1893, sir.

The CHAIRMAN. It must have been Miller.

Mr. LANDSTREET. Miller; yes.

The CHAIRMAN. Mr. Miller; Cleveland was then President, was he not?

Senator CARMACK. Cleveland was President.

Senator ALLISON. Yes; Cleveland was President.

Mr. LANDSTREET. And Miller was the Commissioner of Internal Revenue. [Reading:]

"The honorable Commissioner of Internal Revenue, in his report for the fiscal year ending June 30, 1893, on page 25, says:

"The decrease in the amount collected from chewing and smoking tobacco is believed to be due to the large increase of sales of leaf tobacco to consumers, both by farmers and retail dealers in leaf tobacco."

"The above conclusion of the Commissioner is proven beyond a doubt from the reports of the Internal Revenue Department from 1882 to the present time. We make the following extracts"—

Shall I read all of these figures?

The CHAIRMAN. No; just state what they show.

Mr. LANDSTREET. Taking plug, fine cut, smoking tobacco, and snuff, the total varies very considerably down to and including 1892.

In 1890, for instance, the manufacture of those particular kinds of tobacco amounted to 252,861,754 pounds; in 1891, 270,529,326 pounds; in 1892, 273,839,694.

"The year ending December 31, 1884, shows a decrease of 21,000,000 pounds. The tax was 16 cents per pound to May 1, 1883, and after May 1, 8 cents. All dealers reduced their stock"—

Senator BATE. That was on what, please? That 16 cent tax was on what?

Mr. LANDSTREET. On each pound of manufactured tobacco.

Senator BATE. On each pound of manufactured tobacco?

Mr. LANDSTREET. Yes, sir. [Reading:]

"After May 1, 8 cents. All dealers reduced their stock prior to May 1 to the smallest amount possible, then overstocked during balance of year 1883. Reaction in speculation was in 1884.

"The foregoing table from the reports issued by the Commissioner of Internal Revenue shows the increase of each kind of manufactured tobacco for the ten years from 1882 to 1891, inclusive:

"The increase of plug tobacco was 70,136,653; average per year, 7,013,665.

"The increase of fine-cut tobacco was 1,177,097; average per year, 117,709.

"The increase of smoking tobacco was 33,648,374; average per year 3,364,838.

"The increase of snuff tobacco was 5,651,378; average per year, 565,137.

"Total for same period, increase, 114,923,769, an average per year of 11,472,376 pounds.

"The above period was before the law of October, 1890, section 26, was fully understood by those who are now registered retail dealers in leaf tobacco.

"By comparing the output of tax paid on tobacco for the year 1892 with the preceding year, we find that—

Plug tobacco increased 4,903,660 pounds, a loss from the average increase of the ten years previous of	Pounds. 2, 110, 005
Fine cut decreased	Pounds. 746, 181
Add average increase of the ten years previous.....	117, 709
	863, 890
Smoking decreased.....	1, 599, 797
Loss of average increase of ten years previous.....	3, 364, 837
	4, 964, 634
Certain loss.....	7, 938, 529

"You will observe by the above table that manufactured snuff increased from 5,022,863 pounds in 1882 to 10,674,241 pounds in 1891—5,651,378 pounds—an average of 565,637 pounds; that 1892 increased above the year 1891, 752,686—above the average by 187,549 pounds for the year. Snuff is not affected by the sale of leaf tobacco to consumers, as to make it requires a large quantity of machinery, great experience, knowledge, and time.

"In case the output of plug tobacco and fine-cut chewing and smoking tobacco had increased the same percentage during 1892 as snuff did (say 7 per cent), as compared with 1891, the output would have been 278,045,158 pounds, instead of 262,412,767 pounds, an increase upon the amount reported on these kinds of goods by the Commissioner of Internal Revenue of 15,632,391 pounds, on which there would have been paid a tax of \$937,943.46.

"There is no reason known to us why plug tobacco and fine-cut chewing and smoking tobacco should not have increased to the same percentage that snuff did, except that leaf tobacco untaxed was sold to the consumers in its place.

"In case the books of those registered as retail dealers of leaf tobacco during the year ending December 31, 1892, are examined, if all sales have been entered, we believe they will show sales of leaf tobacco to other than dealers in leaf, manufacturers of tobacco or exporters, of about 15,000,000 pounds.

"We also call your attention to the opportunity which this section 26 of the law of 1890 gives for the defrauding of the Government by collusion of such dealers with any unscrupulous manufacturer by selling him leaf for which the manufacturer would not be accountable, as the law requires. The books of such retail leaf dealers, we think, are not fully examined by the Department. To do so would require a very large additional force and a considerable increase of expenses.

"The law compels any manufacturer of tobacco to obtain a license, pay taxes, and pack in certain-sized packages; but if an individual who does not employ labor does the work himself of manufacturing,

uses the tobacco himself, or gives it away, he is not compelled to obtain a license, to pack the tobacco, or pay any tax to the Government. It is not supposable that Congress designed to tax labor when employed by others; as the law stands now, it does. This is plainly an injustice to the rest of the people of the United States who pay taxes and to the manufacturers of tobacco, and may be class legislation and unequal taxation.

"In the Commissioner's reports for the year 1885 to 1887 there are no reports of licenses to retail leaf dealers. In 1889 there is one. In 1891 there are three reported. At the present time there are registered many thousands. For exact information we refer you to the Commissioner of Internal Revenue.

"It seems to us that it is impossible to produce any argument in defense of allowing leaf tobacco to be sold to be chewed or smoked without tax. (We refer you to the decisions of the Department.)

"We ask that section 26, approved October 1, 1890, be amended as follows:

"All dealers in leaf tobacco, or retail dealers in leaf tobacco, shall sell only in original packages, viz, in hogsheads, cases, or bales; and it is further provided that every dealer in leaf tobacco, or retail dealers in leaf tobacco, shall keep such books containing an accurate account of all the tobacco bought and sold by him, from whom bought, and to whom sold, as the Commissioner of Internal Revenue shall prescribe, and on demand of any internal-revenue officer, or other authorized agent of the Treasury Department, to furnish said officer or agent a true and complete statement, verified by oath, of all his sales of leaf tobacco, the number of hogsheads, cases, bales, and pounds, with the name and residence in each instance of the person to whom sold and the place to which it was shipped. And every dealer in leaf tobacco, or retail dealer in leaf tobacco, who refuses to furnish such information, or who makes any false statements as to the sale of leaf tobacco, or who shall sell any leaf tobacco to anyone except to a registered dealer in leaf tobacco, a registered manufacturer of tobacco, or to a registered manufacturer of cigars, snuff, or cigarettes, or to persons who purchase in original packages for export, shall be guilty of a misdemeanor and shall be liable to a penalty of twenty cents per pound upon every pound so sold and to imprisonment for at least six months, but not over two years.'

"We also ask that section 27 of the law approved October 1, 1890, be amended as follows:

"1. That, upon the passage of this act, all farmers or planters, the executor or administrator of a farmer or planter, and the guardian of any minor is exempted from registering as a dealer in leaf tobacco, or as a retail dealer in leaf tobacco, for selling tobacco produced by such farmer or planter, or by said executor, administrator, or guardian as such, or received by either of them as rents from tenants who have produced the same on the land of said farmer, planter, or minor.

"2. A farmer or planter is not required to pack or prize his tobacco before offering it for sale, in hogsheads or otherwise, but he may sell it loose, as he has heretofore been in the habit of selling.

"3. If, however, the farmer or planter sells, assigns, consigns, transfers, or disposes of his tobacco to persons other than those who have registered as leaf dealers or as manufacturers of tobacco, snuff,

cigars, or cigarettes, or to persons purchasing leaf for export, he becomes liable to the same penalties as a manufacturer of tobacco would be liable to.

"4. Except that farmers and producers of tobacco may sell, at the place of production, tobacco of their own growth and raising at retail, directly to consumers, without payment of tax.

"5. Every farmer or planter, executor or administrator of a farmer or planter, or the guardian of any minor, shall keep such books as may be required by the Commissioner of Internal Revenue, showing the number of pounds of tobacco sold, to whom and where shipped.

"6. On the demand of any internal-revenue officer, or any other authorized agent of the Treasury Department, to furnish said officer or agent a true and complete statement, verified by oath, of all his sales of tobacco, the number of pounds, with the name and residence in each instance of the person to whom sold and the place to which it was shipped.

"7. And every farmer or planter who refuses such information, or who knowingly makes false statements as to any of the facts aforesaid, shall be guilty of a misdemeanor, and shall be liable to a penalty not exceeding five hundred dollars."

"These amendments will largely increase the amount of tax collected and be an act of justice to the taxpaying consumer and manufacturer."

The CHAIRMAN. What happened in answer to this memorial, or what was the action taken?

Mr. LANDSTREET. As a matter of fact, the law was repealed. I do not know, of course, how much effect this memorial had; but I have not known of any demand for the law since, and am not familiar with any way in which it could be of benefit to the farmer.

The CHAIRMAN. Was there any contest over it in the House? I do not know whether that is within your knowledge, however. Do you know of there being any contest there in regard to the repeal of this provision at the time?

Mr. LANDSTREET. I only remember that the tobacco manufacturers were all interested in it and made an effort to have it done.

The CHAIRMAN. No; but I mean, did the farmers themselves, or anybody for them, make any such contest?

Mr. LANDSTREET. I understand not, sir. As a matter of fact, I do not think the farmers derived any benefit from it at all. The peddlers and speculators derived all the benefit. The farmer can only sell his tobacco once. I can not understand how he can care who the purchaser is so long as the price is satisfactory or the best he can get.

Senator ALLISON. Where is your factory?

Mr. LANDSTREET. In Richmond, Va.

Senator ALLISON. Have you been connected with this business through these various—

Mr. LANDSTREET. I have been connected with it since 1889.

Senator McCREARY. You said you were president, Mr. Landstreet, of the Independent Manufacturers' Association?

Mr. LANDSTREET. Yes, sir.

Senator McCREARY. Will you explain the scope of it? Is it a very large association, or does it extend all over Virginia?

Mr. LANDSTREET. As I stated, sir, the association's members comprise about 70 per cent of the total output of tobacco made by independent manufacturers. There are a few independent manufacturers who are not members of our association, but not many, sir.

Senator McCREARY. About 70 per cent?

Mr. LANDSTREET. There are a few independent manufacturers who are not members.

Senator McCREARY. You do not confine them to Virginia?

Mr. LANDSTREET. No, sir. There is the Nall & Williams concern, H. N. Martin & Co., and such concerns as those in your State, sir.

The CHAIRMAN. What is the total membership of your association?

Mr. LANDSTREET. I think less than 40, sir.

Senator ALLISON. What proportion of the total number of manufacturers does your association include?

Mr. GAINES. You say there are less than 40 members of your association?

Mr. LANDSTREET. About 40, sir. I am not sure as to just how many there are.

Senator ALLISON. You speak of your association including about 70 per cent of the output of independent manufacturers?

Mr. LANDSTREET. Yes, sir.

Senator ALLISON. What proportion of the output of the country is made by all the independent manufacturers?

Mr. LANDSTREET. That I can not answer, sir.

Senator ALLISON. You can not answer?

Mr. LANDSTREET. It is impossible to know.

Senator McCREARY. Is this an incorporated company?

Mr. LANDSTREET. It is, sir.

Senator McCREARY. Have you a capital on which you do business?

Mr. LANDSTREET. We have, sir.

Senator McCREARY. What is the amount of the capital?

Mr. LANDSTREET. One hundred and fifty thousand dollars, sir.

Senator DANIEL. Do you mean by that the independent companies?

Senator McCREARY. I mean the company of which he is president.

Mr. LANDSTREET. Oh, I beg your pardon, sir. No, sir; we are not. I thought you referred to the Patterson Tobacco Company, with which I am connected.

Senator DANIEL. I thought there was a misunderstanding.

Senator McCREARY. The Independent Manufacturers' Association is not a chartered organization?

Mr. LANDSTREET. No, sir.

Senator McCREARY. But the company that you individually belong to is?

Mr. LANDSTREET. Yes, sir.

Senator ALLISON. And has the capital indicated—that is, the capital indicated is that of your own company?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. Has that company any connection with the tobacco company in any way?

Mr. LANDSTREET. None whatever, sir, directly or indirectly.

Senator DANIEL. On the contrary, it has been fighting that company, has it not? It has been in antagonism to that company?

Mr. LANDSTREET. I am supposed to have been so, sir; yes, sir.

Senator DANIEL. Mr. Landstreet, what injury do you think this bill would do the manufacturers of tobacco?

Mr. LANDSTREET. In addition to what I have already stated, do you mean, sir?

Senator DANIEL. I just want you to sum them up briefly. I did not have the privilege of hearing the first part of your statement.

Mr. LANDSTREET. I stated, sir, that I thought it would especially injure the tobacco manufacturers of the South, in view of the fact—probably known very well to you, sir—that we in the South manufacture almost a natural leaf, and a large part of our business through the South is in what is called natural leaf. Our tobacco is not heavy sweet tobacco, like the burly tobacco, which is made most largely by the trust. For that reason we believe that the chewers of our Virginia tobacco, made in the form in which it is made in your city and mine, will be satisfied with the natural leaf, without any sweetening whatever, much more readily than those in the West and other sections of the country, where we do not have large plug, do business and who are accustomed to heavy sweet plug.

Senator DANIEL. What manipulation or manufacture do you give to the natural leaf?

Mr. LANDSTREET. We put simply a sufficient quantity of foreign substances into it to make it adhere, to keep it from being subject to climatic changes and conditions and swelling, with as small a quantity of sweetening as each manufacturer may determine for himself pleasant to the taste.

Senator DANIEL. Do you not think this bill would be beneficial to the farmers?

Mr. LANDSTREET. I do not know any way in which it would be, sir. If there is one, I would like to know it.

Senator DANIEL. I came in about the time you said that. It it does not benefit them, how could it hurt you, then?

Mr. LANDSTREET. That is exactly the idea, sir; and it means that that is the true—

Senator DANIEL. I have not stated any idea at all, except to ask you to enlighten me about it. I do not know.

Mr. LANDSTREET. If it does not benefit them, it can not hurt us, sir. It can not hurt us if it does not benefit them.

The CHAIRMAN. But if it does benefit them it will hurt you?

Mr. LANDSTREET. It will hurt us and will hurt the revenue.

Senator DANIEL. But you say you do not believe it will affect you?

Mr. LANDSTREET. I only know that—

Senator DANIEL. I say, you do not believe it will hurt you?

Mr. LANDSTREET. That is the fact, sir.

Senator DANIEL. Then you are very indifferent about whether it passes or not, are you not?

Mr. LANDSTREET. No, sir; I am not.

Senator DANIEL. Why not?

The CHAIRMAN. He has stated that the experience of former times was that it did hurt the revenue and hurt the tobacco manufacturers.

Senator DANIEL. But Mr. Landstreet is not the guardian of the revenue. He is here talking about tobacco.

Mr. LANDSTREET. I stated the case, Senator, of the Patterson Tobacco Company. In the case of their brand of Shell Road that was being sold through the Southern States previous to that time

they had gotten up a very large business. It was almost a natural leaf. That business, in the years 1893-94, went from nearly 2,000,000 pounds annually down to less than 300,000 pounds.

Senator DANIEL. Do you not think the financial panic which came on at that very time had something to do with that?

Mr. LANDSTREET. I only know, sir, that Mr. M. C. Patterson, who at that time represented the firm through the Southern States, told me that it was entirely due to the fact that the merchants were all buying and selling tobacco in the hand, and that when the law was repealed he took up any number of hogsheads of that tobacco from them and exchanged manufactured tobacco for it. I was not there personally.

Senator CARMACK. May I be permitted to ask the witness a question at this point in his examination?

The CHAIRMAN. Certainly.

Senator CARMACK. I understand you, Mr. Landstreet, to say that if this bill does not help the farmer it will not hurt the manufacturer?

Mr. LANDSTREET. I think that is a self-evident proposition.

Senator CARMACK. Is the converse of that proposition true—that if it helps the manufacturer it will hurt the farmer?

Mr. LANDSTREET. I do not think so; no, sir. The farmer can only sell his tobacco once to one party; and if the price is satisfactory, or the best price he can get, I can not see any benefit that can be derived by him from selling it to his local merchant or to the consumer rather than to the manufacturer. There is only one point in that connection which, if you will allow me, I might mention, and that is that I think this question is raised largely by reason of the fact that the number of manufacturers has been so greatly decreased. They have been to a large extent consolidated into one company, so that the number of bidders for the tobacco on the warehouse floor is very small.

The demand is as great for pounds, but the number of bidders for the various kinds is very much decreased. Then, too, the country at large (not only the United States, but the world) is now turning to burly tobaccos for many purposes in preference to the southern tobaccos—that is, what are called the Virginia tobaccos, North Carolina tobaccos, and so on. The brands that were the largest sellers in the United States a few years ago, made of Virginia tobacco, as a rule, are not such now. The great increase in smoking tobacco is in Kentucky burlys. They are probably higher to-day than they were ever known to be in the history of the world—of the tobacco business, at least. Virginia tobaccos, by reason of the combination and by reason of the decreased demand for them, together with the increased output, have gone down in price.

Senator CARMACK. Is there not a larger increase in the manufacture of Tennessee smoking tobacco?

Mr. LANDSTREET. Tennessee smoking tobacco?

Senator CARMACK. Yes.

Mr. LANDSTREET. Grown where, sir?

Senator CARMACK. Grown in various parts of middle Tennessee.

Mr. LANDSTREET. I did not know there was a pound of that consumed in the United States, sir.

Senator CARMACK. There is a great deal of it consumed in Tennessee.

Mr. LANDSTREET. I say, I did not know it. I thought all of the Tennessee manufactures—all the brands I have ever seen, at least—were bright burly, a character of tobacco that is not grown in Tennessee at all.

Senator CARMACK. Do you know the Bug tobacco?

Mr. LANDSTREET. No, sir; what is that—Bug tobacco?

Senator CARMACK. Yes; the name of the manufacturer.

Mr. LANDSTREET. I never heard of it, sir.

Senator CARMACK. That is a Williamson and Giles County tobacco.

Mr. LANDSTREET. There is some bright tobacco grown along the mountains and foothills of East Tennessee. It is also grown in some of the foothills of the mountains of North Carolina. That is a very beautiful bright tobacco; but I should suppose that 2,000,000 pounds would cover the entire crop.

Senator CARMACK. I have not looked at the statistics; but my observation is that there has been a very large increase in the manufacture and use of smoking tobacco grown in the middle Tennessee counties—in Williamson County and Marshall and Giles and Smith.

Senator BATE. Principally up in Jackson and Smith counties?

Senator CARMACK. Yes; up in that country.

Mr. LANDSTREET. I do not know anything at all about that, sir. We ask our salesmen to report to us, wherever they go, any new brands of tobacco that they come across on the retailers' shelves, and we have not been notified of any considerable business of that kind. It may be. It must be a local business.

Senator CARMACK. You can buy it in Nashville, and you can buy it in almost any of the small towns throughout middle Tennessee. It is manufactured there. What is the tobacco grown in Weakley and those west Tennessee counties?

Mr. LANDSTREET. It is called dark burly, for export purposes.

Senator CARMACK. That is like the Greene River tobaccos, raised in the western part of Kentucky?

Mr. LANDSTREET. It is like the dark Kentucky tobaccos, but unlike the bright burlys—the bright or white burlys, as they are called in Kentucky.

Mr. GAINES. Mr. Chairman, I wish you would let me ask Mr. Landstreet a question right there. Mr. Landstreet, if 80 or 85 per cent of this dark Tennessee and Kentucky tobacco that you have been speaking about is exported, will you please tell me how it will interfere with your business if it is confined exclusively to the United States?

Mr. LANDSTREET. I just stated, sir, that I do not think that your Tennessee tobacco could affect our business at all. If you made your law so as to permit west Tennessee tobacco, or what is known as west Tennessee tobacco—the variety grown around Clarksville and that section of the country—to be given away, we would not complain.

Mr. GAINES. Well, it is very nearly given away. That is the cause of this law.

Mr. LANDSTREET. So far as the tobacco manufacturers are concerned—

Mr. GAINES. I will show that before we get through.

Mr. LANDSTREET (continuing). They have never been able to educate the American public to use that tobacco, so far as I am aware, up to this time.

Senator ALLISON. What is the difficulty in educating them up to it?

Mr. LANDSTREET. There seems to be some peculiarity of the flavor that the American consumer does not like.

Senator CARMACK. A good deal of that is exported to France, you say? You spoke of its being exported to England.

Mr. LANDSTREET. I think it is exported to France and Spain and Italy, and wherever they want it; and I think it goes also to the West Indies. I think there is a lot of it exported to the West Indies.

The CHAIRMAN. For what purpose is the balance of 10 to 15 per cent used in this country?

Mr. LANDSTREET. I do not know, sir. As I told you——

Mr. GAINES. It is ground into snuff, I think, Mr. Chairman, and a part is consumed by the tobacco growers out in the country who think whatever they raise on their farms is better than anybody else's product, and they just proceed to use it. That is the way we account for this 10 or 15 per cent not exported.

Senator BATE. Mr. Landstreet, please tell me what kind of tobacco it is that is sold most largely at Clarksville. As I understand you, Clarksville is one of the largest tobacco markets in this country?

Mr. LANDSTREET. Yes, sir.

Senator BATE. In the United States?

Mr. LANDSTREET. Yes, sir.

Senator BATE. Is that so?

Mr. LANDSTREET. I think so, sir.

Senator BATE. What kind of tobacco do they have and sell there?

Mr. LANDSTREET. They have what is called dark burly or export tobacco.

Senator BATE. Is that what you call the Kentucky tobacco?

Mr. LANDSTREET. And also the Tennessee tobacco; yes, sir—the Clarksville tobacco.

Senator BATE. That is what you say is so much in demand? Is this dark burly the kind of tobacco that you said was so much in demand?

Mr. LANDSTREET. No, sir; the dark burly is used almost entirely for export purposes. I do not suppose a pound of it is sold in Clarksville for local use.

The CHAIRMAN. How long has that been true? Has that always been so, Mr. Landstreet?

Mr. LANDSTREET. So far as I know, sir.

Senator BATE. You are a tobacco man. Tell us where the tobacco markets are now, and how they compare.

Mr. LANDSTREET. In what way, sir?

Senator BATE. The principal ones.

Mr. LANDSTREET. The largest market in the United States, do you mean?

Senator BATE. Yes.

Mr. LANDSTREET. I think that is Louisville, sir. Next to that, Cincinnati; next to that, Danville, Va.; then Lynchburg, probably; and below that come the markets that sell under 20,000,000 pounds annually. There are any number of them.

Senator BATE. How does Clarksville stand in that respect?

Mr. LANDSTREET. I do not keep up with that, sir, because we are not——

Senator BATE. I have always understood that it was next to Louisville.

Mr. LANDSTREET. I am not interested in that kind of tobacco, and for that reason I have not kept up with it.

Senator BATE. Mr. Gaines knows, I expect.

Senator McCREARY. Where is the bright burly principally produced?

Mr. LANDSTREET. The best of it is grown in Kentucky in the blue-grass belt.

Mr. GAINES. Over there in Mr. Trimble's district.

Mr. LANDSTREET. In Mason County. I suppose there is more of what purports to be Mason County tobacco sold every year than is grown in the State. [Laughter.] It is like Henry County, Va. Every pound of tobacco raised in North and South Carolina and Virginia is supposed to be Henry County tobacco. [Laughter.]

Senator ALLISON. I did not know they did that sort of thing in Virginia.

Senator DANIEL. The people that are selling it outside attribute it to Henry County, Va., in order to get the sale for it.

The CHAIRMAN. How have the prices of tobacco been for the past two years? Are they higher or lower than they were?

Mr. LANDSTREET. At this time, sir, bright burly tobaccos, as I have just stated, are very high. The dark burlis, I understand, are very low. The competition in them has been reduced to the minimum—largely, I think, by reason of the fact that the so-called "tobacco trust" has extended its business to the entire world. I think that has probably had something to do with it. It has reduced competition. Bright tobaccos, on the other hand, are to-day bringing a good price—that is, what we call bright Virginia tobaccos. I understand that Wisconsin tobaccos and Pennsylvania tobaccos and the kinds that are used for cigars, stogies, and such things are low.

Senator BATE. You speak of the so-called "trust." Your firm has nothing to do with that?

Mr. LANDSTREET. I have not, sir.

Senator BATE. You have brought them up in the courts, have you not?

Mr. LANDSTREET. I have been trying to get them into the courts, sir; but have not yet succeeded.

Senator BATE. How long have you been trying to do it?

Mr. LANDSTREET. A little over three years.

Mr. GAINES. You got them up in Massachusetts, did you not?

Mr. LANDSTREET. Yes, sir.

Mr. GAINES. You helped to pass an antitrust law in Massachusetts, did you not?

Mr. LANDSTREET. I did, sir.

Mr. GAINES. And I will help you do so in Tennessee, if you will help me in this matter; but you have turned against me in this.

The CHAIRMAN. You are not trying to make a bargain, I hope, with Mr. Landstreet? [Laughter.]

Senator DANIEL. Mr. Landstreet, I have not been able to understand some things about this matter. You know a great deal more about it than I do, and I am merely seeking for information. I want to enlighten my own mind on the subject. I want to know where the pinch is, and what will be the effect of this act; but I can not

understand you when you say in one breath that this is not going to benefit the farmers, but it is going to hurt the manufacturers.

Mr. LANDSTREET. I say this, sir: That I do not know.

Senator DANIEL. I may not take your idea at all, and I want you to show me how that will take place.

Mr. LANDSTREET. I do not know any way in which the farmer could be benefited. You are aware, sir, that the farmer does not start out with his wagonload of tobacco and go through the South or West or any foreign country and sell or peddle that tobacco. At one time, as you probably remember very distinctly, most of the country stores in your section of the country had a little tobacco factory that they ran along in the fall of the year and made up their tobacco for the consumer and then started their wagons south to sell and peddle their tobacco. That is a thing of the past, sir. We feel that every pound of tobacco that goes into the retail store on which no tax is paid will deprive the manufacturers of the sale of a pound of their tobacco; that the dealer—

Senator DANIEL. But does not the farmer get the benefit of that?

Senator BATE. Mr. Landstreet says that is past. I would like to know why—whether it was the law that caused it to be past or whether it was commercial conditions.

Mr. LANDSTREET. Conditions, I think, stopped that, sir. Those factories are standing vacant all through the State of Virginia today—hundreds of them.

Senator BATE. They can not do that now, can they—fix up a little factory and send their wagons down South?

Mr. GAINES. If they pay the 6-cent tax on it, they can. That is what has wiped out that kind of business amongst the tobacco growers.

Mr. LANDSTREET. They can do it. I think the tax was probably 8 cents when they did it.

Senator DANIEL. You spoke of the very limited market that the farmer now has for his tobacco.

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. If he takes his tobacco to a city like Danville or Lynchburg, or what not, few competitors appear?

Mr. LANDSTREET. Very few; yes, sir.

Senator DANIEL. Very few. Now, would not anything that would enable the farmer to widen his market and get his tobacco more before the people who would be likely to buy it be of benefit to him, in your opinion?

Mr. LANDSTREET. I do not see how it would be, sir. If it did that, yes; if that would be the effect it would be of benefit to him, sir.

Senator DANIEL. I am simply trying to get myself clear about that as much as I can. I do not know a great deal about the practical operation of these things.

Mr. LANDSTREET. As I understand, Senator, the farmer, as I said a while ago, did not start through the South to peddle his own crop of tobacco from his wagon, and thereby come in contact with a great number of buyers. He sold it to a dealer at or near his home, and that dealer loaded it up in wagons or shipped it through the South; and I am told that many of them had traveling salesmen selling nothing but tobacco in the hand.

Mr. GAINES. What prevents the farmer from going in his wagon now, sir?

Mr. LANDSTREET. Nothing in the world. He can go anywhere he pleases and sell it to anybody.

Mr. GAINES. But if the grower can not go in person, can he put his son in his wagon and send him out with it?

Mr. LANDSTREET. Yes, sir.

Mr. GAINES. No; he can not. I beg your pardon. There is the law to the contrary, right there, my dear sir. This law that I have before me clearly prohibits that, as construed by the Department. The grower must deliver his tobacco in the leaf in person.

Mr. LANDSTREET. Then that law is violated every minute of every day.

Mr. GAINES. That may be; but here it is, right here. Mr. Yerkes says so, and here is the law.

Mr. TRIMBLE. I would like to ask the gentleman a question. You say you do not believe the removal of this tax on unstemmed tobacco would create more competition in the market?

Mr. LANDSTREET. No, sir.

Mr. TRIMBLE. Who do you say would buy this tobacco, then? You have just stated that if you do take this 6-cent tax off of unstemmed tobacco it would reach the consumer in another route than through the manufacturer. Who would buy the tobacco from the farmer, then?

Mr. LANDSTREET. As a rule, I think, the leaf dealers—the speculators.

Mr. TRIMBLE. If you, as a manufacturer, should see the leaf dealers buying that tobacco, would you not naturally want to get it yourself?

Mr. LANDSTREET. They are buying it to-day, sir.

Mr. TRIMBLE. But they must sell it to you. You know that it has to come to you anyway.

Mr. LANDSTREET. They can sell it to anybody they please.

Mr. TRIMBLE. No; I beg your pardon; it can not reach the consumer. It must eventually reach the manufacturer.

Mr. LANDSTREET. All the consumer has to do, sir, as I think you will find, is simply to spend a postage stamp and ask that his name be registered. It is without cost to him.

Mr. TRIMBLE. Oh, yes; he has to send around through the mail and write and have notice of his registration sent to him.

Mr. LANDSTREET. Yes, sir.

The CHAIRMAN. Do you think it ought to reach the consumer without paying a tax?

Mr. LANDSTREET. I do not think it should. If any of it should, I think it all should. If you will take all the tax off, and not build up opposition, that will be all right. But it does not seem to me equitable that you should say to one man that he can sell his tobacco without paying a tax on it, and at the same time say to a manufacturer who has his capital invested in the business, not only that he shall give bond to the Government and be under Government regulation, but that he shall pay a tax to the Government of 6 cents a pound, and that he is to put up his product only in certain specified packages, so that if he wants to give away a sample of that tobacco he can

not possibly do so without violating the internal-revenue laws. It seems to me that you should make a law that is applicable to the manufacturer as well as to the grower.

Mr. TRIMBLE. Will not this law be applicable to the manufacturer of unstemmed tobacco?

Mr. LANDSTREET. Not in a manufactured condition, sir.

Mr. TRIMBLE. That may be; but the farmer has the unstemmed tobacco. The manufacturer can sell the unstemmed tobacco, can he not, just like the farmer?

Mr. LANDSTREET. Yes.

Mr. TRIMBLE. The farmer does not ask you to discriminate, but to give him the privilege of selling his raw product, and the manufacturer can sell it to the same consumer.

Mr. LANDSTREET. But you do not discriminate between a manufacturer of tobacco, who manufactures his tobacco, and a leaf dealer, who does not manufacture his tobacco. We are not leaf dealers; we are manufacturers of tobacco.

Mr. TRIMBLE. I understand that.

Mr. LANDSTREET. There is the difference, sir. We are manufacturers of tobacco.

Mr. TRIMBLE. You said just now that the reason this bill had been agitated was because of lack of competition on the market, did you not?

Mr. LANDSTREET. That was simply an opinion, sir.

Mr. TRIMBLE. But that is the reason? There is no doubt about it?

Mr. LANDSTREET. That is my personal opinion.

Mr. TRIMBLE. Do you think the farmer would want to peddle his tobacco out through the country, at country stores and in baskets, if he could get a fair living price for his leaf tobacco at his barn? Do you think there would be any of that kind of business done if he could?

Mr. LANDSTREET. I do not think so, sir.

Mr. TRIMBLE. Then the reason this bill has been urged and passed by the House is simply because the price of tobacco has been at such ruinous figures that the farmer is going into bankruptcy?

Mr. LANDSTREET. I think that is true.

Mr. TRIMBLE. That was the cause, was it not?

Mr. LANDSTREET. I believe that to be the cause.

Mr. TRIMBLE. You stated just now that the burly tobacco is higher now than it ever was before?

Mr. LANDSTREET. Yes, sir.

Mr. TRIMBLE. It is high now; but do you know the reason why it is high? Do you know when the jump was made?

Mr. LANDSTREET. Yes, sir.

Mr. TRIMBLE. When?

Mr. LANDSTREET. I think it was the 26th day of April, 1904.

Mr. TRIMBLE. Why? Why did tobacco take that sudden jump?

Mr. LANDSTREET. Because it was found that the tobacco trust were buying every pound they could get, at any price, and had most of it before it was realized.

Mr. TRIMBLE. They were trying to make a corner out of tobacco and put you independent dealers out of business, were they not?

Mr. LANDSTREET. I do not know whether they were trying to corner it or whether they actually needed it. The fact is, though, that it

was a very unfortunate condition for the manufacturer and a fortunate one for the people who owned the tobacco.

The CHAIRMAN. Mr. Gorman, have you anything you want to ask Mr. Landstreet?

Senator GORMAN. No; let him finish his statement.

Mr. LANDSTREET. The reason the independent manufacturer can not compete with the trust in the purchase of tobacco, Mr. Chairman, is that your farmers have a habit of selling their tobacco at the barn door. In our country the farmer takes his tobacco to a warehouse floor after grading it, or he may have it graded after it gets to the warehouse floor; and it is then put in piles and sold at public auction, and the independent manufacturer has an equal chance with any other man of getting it.

Mr. TRIMBLE. Do you not think you are mistaken in that statement?

Mr. LANDSTREET. No, sir. In your country a large proportion of the tobacco—I do not know just how large, but I have heard it was 80 per cent—is sold at the farmer's door—the whole crop. I do not think there is in the United States a single independent manufacturer who manufactures a sufficiently varied line of goods to take your entire crop. He would have to pick out and select the styles and grades that he could use in his manufacture and send the others to the warehouse floor for sale at public auction, or otherwise dispose of them. The trust, on the other hand, can buy a crop and use every pound of it in the large number of brands they manufacture.

When the tobacco comes to the warehouse floors in Louisville and Cincinnati, I investigated last year and had a report from the manager of the warehouses of the two cities, in which they made the statement to me that of all the tobacco sold last year on the warehouse floors of Cincinnati and Louisville the independent tobacco manufacturers had purchased exceeding 37 per cent; but the large bulk of the tobacco that never came to the warehouse floors was purchased by the trust in the country, as I say, and they could take the whole crop and use every pound of it.

Mr. TRIMBLE. Do you know why that was the case?

Mr. LANDSTREET. Because they went out and bought it. That is all I can tell.

Mr. TRIMBLE. But do you think the farmer, when he was within 75 miles of a salesroom and a market, would sell his tobacco cheaper at the barn door than if he could put it in a hogshead and send it to the market?

Mr. LANDSTREET. Well, he does not always know when he is getting the best price.

Mr. TRIMBLE. He comes very near knowing, though. He is right there in the market. The fact, as you say, that 80 per cent of the tobacco is now sold at the barn door, while five years ago 80 per cent of it was sold on the warehouse floors in Louisville—are those the figures?

Mr. LANDSTREET. Yes, sir.

Mr. TRIMBLE (continuing). Is simply due to the formation of the trust. The independent people have no competition there, and the farmer would rather be cheated at home than send his tobacco to Louisville and be cheated there.

The CHAIRMAN. Mr. Daniel, have you any questions you want to ask Mr. Landstreet?

Senator DANIEL. No, sir.

The CHAIRMAN. Mr. Allison?

Senator ALLISON. No.

The CHAIRMAN. I think that is all, then.

Senator PLATT, of Connecticut. Do you know whether this bill affects in any way the leaf tobacco grown up in Connecticut that is used for wrappers?

Mr. LANDSTREET. Do I know whether this bill would affect it?

Senator PLATT, of Connecticut. Yes. Are you familiar with the way in which that tobacco is sold?

Mr. LANDSTREET. Yes, sir. I do not think it would affect it as much as in our country, sir—in the South.

Senator PLATT, of Connecticut. No; of course not.

Mr. LANDSTREET. That is, I do not believe your tobacco will be brought to our country for sale.

Senator PLATT, of Connecticut. Why, not at all; but would it make any difference with the grower up there? That is what I want to know.

Senator DANIEL. May I ask whether it is not sold down there to cigar factories? There are large cigar factories in Richmond, Lynchburg, Petersburg, and so on. The seed leaf tobacco is used a good deal in those factories, I believe, is it not?

Mr. LANDSTREET. We have a large number of cigar manufacturers, sir.

Mr. GAINES. I will say, Senator, that Mr. Hill, of Connecticut, was a member of the subcommittee that favorably reported this bill, and he did not find any trouble with it. On the contrary, he was very anxious to see it passed, because it relieved the farmers of a great burden. That I will show directly.

Senator ALLISON. The farmers of the country?

Mr. GAINES. No, sir; the farmers that grew this tobacco.

Senator PLATT, of Connecticut. If this gentleman knows, I would like to have him tell me; if he does not know he can say so: Do you know whether this legislation would in any way affect our farmers who grow leaf tobacco simply to be used as wrappers for cigars?

Mr. LANDSTREET. I do not know of any way, sir, in which it would.

The CHAIRMAN (to Mr. Gaines). Do you want to ask Mr. Landstreet something?

Mr. GAINES. Yes, sir; I would like to ask him a question or two.

Mr. Landstreet, you say you represent what are known as the independent manufacturers?

Mr. LANDSTREET. Yes, sir.

Mr. GAINES. When did they become independent?

Mr. LANDSTREET. They have always been so, sir.

Mr. GAINES. How long has this association of yours been in existence?

Mr. LANDSTREET. We had our third annual meeting on the 10th of December last.

Mr. GAINES. I am not talking about your association. I believe I did ask you that question, however.

Mr. LANDSTREET. Yes, sir.

Mr. GAINES. What class of manufacturers are members of that association?

Mr. LANDSTREET. Independent manufacturers.

Mr. GAINES. Big or little manufacturers?

Mr. LANDSTREET. We have one man who employs four girls besides his own family. We have another manufacturer who probably has an output of 10,000,000 pounds a year, and they vary in between those extremes. We have some very large ones and some very small ones.

Mr. GAINES. Where are these manufacturers situated? Where are they located?

Mr. LANDSTREET. In Virginia, in Kentucky, one in Tennessee—— Senator CARMACK. Where is that?

Mr. LANDSTREET. In Greeneville.

Senator CARMACK. I wanted to get it on the record.

Mr. LANDSTREET (continuing). In Pennsylvania, New York, Ohio, Michigan, Massachusetts, Missouri, and North Carolina.

Mr. GAINES. How many of these manufacturers did you say there were, all told?

Mr. LANDSTREET. About 40.

Mr. GAINES. About 40?

Mr. LANDSTREET. I think about 40.

Mr. GAINES. Yes, sir. Do you know how many thousand or hundred thousand farmers are to be affected by this bill if it is passed?

Mr. LANDSTREET. I do not.

Mr. GAINES. You are not a farmer yourself?

Mr. LANDSTREET. No, sir.

Mr. GAINES. You never have been?

Mr. LANDSTREET. Yes, sir.

Mr. GAINES. Well, you never raised any tobacco, did you?

Mr. LANDSTREET. Yes, sir.

Mr. GAINES. Where?

Mr. LANDSTREET. In Tennessee, sir.

Mr. GAINES. In Mr. Gibson's district?

Mr. LANDSTREET. No, sir; in the First Congressional district—— Brownlow's.

Mr. GAINES. Do you know that those tobacco growers down there are in favor of this bill, and that one of the bills introduced to relieve——

The CHAIRMAN. Now, Mr. Gaines, it seems to me that that is hardly pertinent to this inquiry.

Mr. GAINES. Well, do you know that Mr. Gibson, from that neighborhood, introduced a bill on this subject, for the relief of tobacco growers, similar to the other bills introduced in the House?

Mr. LANDSTREET. That would not change my opinion of the bill, sir.

Mr. GAINES. He is supposed to represent the farmers, is he not?

Mr. LANDSTREET. What is that?

Mr. GAINES. He is supposed to represent the farmers, is he not? You represent one little manufacturer down there with one man and four daughters. Is that your——

The CHAIRMAN. Mr. Gaines, that is hardly a pertinent line of inquiry.

Mr. GAINES. The witness alluded to that, Mr. Chairman.

The CHAIRMAN. I know, but I do not think that is pertinent to this discussion.

Mr. GAINES. All right. Now, then, Mr. Landstreet, did you appear before the House committee that had these two long hearings in the last session of Congress?

Mr. LANDSTREET. I did not, sir.

Mr. GAINES. Why?

Mr. LANDSTREET. I was not asked to do so.

Mr. GAINES. There was not any opposition whatever to the bill by your concern at that time?

Mr. LANDSTREET. No, sir. There is no opposition now from my concern other than that which comes from the other manufacturers who belong to the same organization that I do. This is not an individual matter, sir. I am here by request of an organization.

Mr. GAINES. You are also fighting the tobacco trust, are you not?

Mr. LANDSTREET. Yes, sir.

Mr. GAINES. You have been fighting it in court and out of court?

Mr. LANDSTREET. Yes, sir.

Mr. GAINES. Did you not cause to be drawn, or did you not draw, or did not your lawyer draw, and did you not in person assist in the passage of what is known as the "Massachusetts antitobacco-trust act?"

The CHAIRMAN. Mr. Gaines, I must insist that this hearing should be confined to matters that are pertinent to this bill. We are not here to go into that subject.

Senator ALLISON. He wants to impeach the witness.

Mr. GAINES. Oh, no. I can not impeach Mr. Landstreet. I have known him too long. He and I are very warm friends.

The CHAIRMAN. Well, Mr. Gaines, of course you can conduct your campaign against individuals outside of this committee room in any way you please; but here I will ask you to confine your questions to things that are pertinent.

Mr. GAINES. I have nothing further on that line, then, Mr. Chairman. Mr. Landstreet, in what way, now, will taking off this 6-cent tax on the natural leaf—for that is what this bill does—interfere with revenues of the Government?

Mr. LANDSTREET. We think that every pound of tobacco that is sold in that way will take from some manufacturer of tobacco the sale of 1 pound from which the Government would have received a revenue.

Mr. GAINES. How can it do that, though, when 80 or 85 per cent of this tobacco is exported, and hence is subject to no tax, and not sold in the United States?

Mr. LANDSTREET. You refer to your tobacco, sir?

Mr. GAINES. Yes.

Mr. LANDSTREET. But there are other sections that grow tobacco.

Mr. GAINES. I understand that; but that is not exported.

Mr. LANDSTREET. Not 85 or 90 per cent of the tobacco grown in the United States is exported, sir.

Mr. GAINES. How is that?

Mr. LANDSTREET. Not 85 per cent of the tobacco grown in the United States is exported.

Mr. GAINES. Oh, no; but 85 or 90 per cent of this tobacco is exported.

Mr. LANDSTREET. West Tennessee dark tobacco?

Mr. GAINES. It is exported in the leaf.

Mr. LANDSTREET. West Tennessee dark tobacco—yes.

Mr. GAINES. Yes; and the Clarksville and Kentucky tobacco, and that which is dark in Virginia are exported. What is known as the dark tobacco is exported.

Mr. LANDSTREET. Usually.

Mr. GAINES. And on export tobacco there is no tax?

Mr. LANDSTREET. That is right, sir.

Mr. GAINES. How, then, can this bill affect the revenue?

Mr. LANDSTREET. If you will confine its operations to that export tobacco, there will be no objection in the world to it, sir.

Mr. GAINES. Have you consulted Mr. Yerkes on the question as to whether or not this bill will interfere with the revenues of the Government?

Mr. LANDSTREET. I have not.

Mr. GAINES. Do you not know that he drew this bill and sent it up?

The CHAIRMAN. Now, you—

Mr. LANDSTREET. I do not, sir.

Mr. GAINES (to the chairman). Well, he is speaking about the bill.

The CHAIRMAN. I know; but we will ask Mr. Yerkes to come here, and get the information from him.

Mr. GAINES. I have here what he says, Mr. Chairman.

The CHAIRMAN. Yes; that is all right.

Mr. GAINES. All right; I have nothing more to ask him.

Senator DANIEL. Mr. Chairman, I do not propose to pursue any course of examination of the witness, but if you will allow me I want to see if I get a clear idea of this matter from his testimony.

As I understand your view of the matter, Mr. Landstreet, the manufacturers have to pay a tax of 6 cents on every pound of tobacco they send out?

Mr. LANDSTREET. Yes, sir.

Senator ALLISON. That is manufactured tobacco.

Senator DANIEL. Manufactured tobacco; they do not send out any other. I said "manufacturers," meaning, of course, manufactured tobacco. You are right, sir.

Senator ALLISON. I assumed that Mr. Gaines was talking about the leaf tobacco.

Senator DANIEL. Well, they manufacture leaf tobacco, as he explained, by putting into it some little condiments which he did not describe. Sometimes they have their secrets about it, and I did not ask him what they were. But the manufacturer has to pay 6 cents a pound on the tobacco that goes out from his factory manipulated or manufactured. They say "manufactured," but it is more like manipulation.

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. And your apprehension is that the farmer' leaf, which is very nearly like that—

Mr. LANDSTREET. More like it than other manufactured tobaccos.

Senator DANIEL (continuing). More like it than any other variety of tobacco on the market—that if that goes out without having to pay this tax it will take away your trade?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. Whether it benefits the farmer or not?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. That is the distinctive idea that I get from your statement.

Mr. LANDSTREET. That is correct, sir.

The CHAIRMAN. Mr. Platt, do you want to ask him anything?

Senator PLATT, of Connecticut. No.

The CHAIRMAN. Mr. McCreary?

Senator MCCREARY. No, sir.

The CHAIRMAN. Mr. Bate?

Senator BATE. No, sir; unless I did not understand Mr. Landstreet in regard to what he said touching how it would affect the revenues. I thought that was the main object of these questions.

Mr. LANDSTREET. I made the statement, sir, that I believed that every pound of tobacco sold over a retailer's counter in the leaf, without bearing an internal-revenue stamp, would displace a pound of manufactured tobacco; and if this bill does not become a law the latter would bear a 6-cent stamp.

Senator BATE. The difference in the revenue, as I understood you, may be very small if this bill goes into force?

Mr. LANDSTREET. Well, do you mean—

Senator BATE. I mean comparing what it is now with what it would be if this bill became a law—that is to say, sir, this bill provides “that farmers and growers of tobacco may sell leaf tobacco of their own growth and raising to manufacturers of tobacco, snuff, or cigars without being considered leaf dealers or manufacturers of tobacco, and shall not be subject to the sections of the law and amendments thereof above named.” As I understood you, you used the word “little”—the revenue would be little that would be lost through that?

Mr. LANDSTREET. It would depend entirely upon the number of pounds sold, sir.

Senator BATE. But you are a tobacco man, and you know the number of pounds sold as well as anybody.

Mr. LANDSTREET. I mean the number of pounds in the leaf, unmanufactured, that would be sold. It depends upon the number. Of course, if it is a fact that every pound sold without a revenue stamp would displace 1 pound of tobacco that, manufactured, would have a revenue stamp, I think the loss of the Government in revenue would depend entirely upon the number of pounds of leaf sold in the hand. That quantity there is no way of estimating. It may be very large, or it may be very small.

Senator PLATT, of Connecticut. Did you not say that under some former law it was very large?

Mr. LANDSTREET. Yes, sir; and I think the figures in regard to that can be gotten from the Commissioner's office, if it is desired to get them accurately.

Senator BATE. This Commissioner here, do you mean?

Mr. LANDSTREET. Yes, sir. Then I think the difference between this proposed law and the law that was repealed in 1894 is this: The former law required the dealer to register the names of all persons to whom he sold; and if the Government were disposed to do it, they could trace up that tobacco and see if the man was buying more than he and his family could consume. As it stands to-day, I understand, this bill allows the consumer to purchase the tobacco and the retailer to sell it to him without limit; and if he is disposed to buy it

without limit, and manufacture it by a process of his own, in the cellar, as moonshine whisky is manufactured, and dispose of it surreptitiously—if he is that kind of a man—there is no way in which the Government can tell what his purchase has been; and if he is disposed to do it, he can probably manufacture and dispose of a great many pounds before he is caught at it.

Senator PLATT, of Connecticut. Do I understand you to say that the retail merchant who buys this leaf tobacco from the farmer can manufacture it so as to sell it to others?

Mr. LANDSTREET. No, sir; he can not manufacture it, but he can sell it to me, a consumer; and the law does not permit me to sell it without a license or to sell it without a stamp. But I can take that tobacco (as was done before, under the same law), take the stem out or leave the stem in, and make it up into twist and sell it to my neighbors; and as long as my neighbors do not inform on me they will be getting their supply of tobacco very cheaply and I will be making a little money. It seems to me that it encourages fraud, and I do not think it is healthy legislation at all.

Senator CARMACK. Did you say the retail dealers can now sell their tobacco in a natural state?

The CHAIRMAN. No; he is talking about what would be the case if this law should be passed.

Mr. LANDSTREET. No, sir; he can not do so now. Every package of tobacco must now bear an internal-revenue stamp.

Senator BATE. In other words, as I understand you, the owner of tobacco which he has grown can not sell it? He can sell it individually to his neighbors, or something like that?

Mr. LANDSTREET. The man that grows it can sell it to anyone he pleases, sir

Senator BATE. Can he sell it to the manufacturer?

Mr. LANDSTREET. Yes, sir.

Senator BATE. He can himself; but he can not have an agent to do it?

Mr. LANDSTREET. Well, the law——

Senator CARMACK. He can himself sell it to anyone he pleases?

Mr. LANDSTREET. Yes, sir.

Senator BATE. But he can not have an agent to do it—his son, for instance?

Senator CARMACK. Oh, yes.

Mr. LANDSTREET. I did not know until to-day that the law prohibited him from doing that. I think that if the Commissioner or any officer of the Government will go to any tobacco center in the United States they will find that less than 10 per cent of the tobacco sold is sold in compliance with the law, if that is the law.

Mr. TRIMBLE. That is the law.

Mr. LANDSTREET. Ninety per cent of it is certainly sold in violation of the law then.

Senator PLATT, of Connecticut. Well, as you do not want the law, perhaps you are not the best man to answer this question, but what is the benefit that the farmer is to derive from this law?

Mr. LANDSTREET. I do not know, sir.

Senator PLATT, of Connecticut. What is the supposed benefit? Do you know that?

Mr. LANDSTREET. I do not know, except that I have seen it stated

and heard it stated that the idea was that he would have an increased demand for his product.

Senator PLATT, of Connecticut. If he sells his tobacco to an unlicensed man or dealer or manufacturer, and only sells it to him for his own consumption and that of his family—

Mr. LANDSTREET. No, sir; he can retail it out.

Senator CARMACK. Under this bill?

Mr. LANDSTREET. Under this bill.

Senator PLATT, of Connecticut. Under this bill he can retail it out?

Mr. LANDSTREET. Yes, sir; to anyone he pleases. In other words, if the retail merchant does as he did before he will have in his store or in his warehouse a hogshead of leaf tobacco, unstemmed, natural, just as it comes from the farmer; and when the consumer walks in and wants a nickel's worth of tobacco, he will simply go and weigh it out to him out of this hogshead.

Senator BATE. That is a violation of the law?

Mr. LANDSTREET. Now it is.

The CHAIRMAN. It is a violation of the law now; yes.

Senator PLATT, of Connecticut. Inasmuch as there is a demand, then, for a considerable amount of this tobacco to be sold by the retailer to some unlicensed man or manufacturer, there would not be much help in it to the farmer, would there?

Mr. LANDSTREET. I do not see how there would be, sir. As I have stated once or twice before, if the business becomes large and the demand great for unmanufactured tobacco in the natural leaf, I believe to just the extent that that demand is great the revenue will be decreased.

Senator PLATT, of Connecticut. Can there be any demand of that sort, though, unless somebody is going to manufacture this product surreptitiously?

Mr. LANDSTREET. There can be this situation, sir: Suppose a retail merchant now sells 100 pounds of manufactured tobacco a month or a week. If his customers, instead of purchasing 100 pounds of manufactured tobacco from him this week, purchase 50 pounds of manufactured tobacco and 50 pounds in the natural leaf stage—

Senator PLATT, of Connecticut. Why would they buy it in the natural leaf stage?

Mr. LANDSTREET. Because they like it that way, sir.

Senator PLATT, of Connecticut. They use it that way?

Mr. LANDSTREET. It is cheaper; it will be very much cheaper, and the freight is very much less on it. There is no stamp on it. There is no wrappings of any kind, no labels or boxings or casings of any kind; and it will be very much cheaper. I suppose it will be nearly 50 per cent cheaper than the manufactured article of the same quality.

Senator PLATT, of Connecticut. You think a demand for it would spring up?

Mr. LANDSTREET. I think so, sir.

Senator PLATT, of Connecticut. In that way?

Mr. LANDSTREET. One thing that would create a demand through the South is the fact that there is a very large number of planters through the South who supply their hands with tobacco, and that fact is the source of a large business now to the manufacturers of Lynchburg and Danville, and some of those in Richmond. They

supply tobacco to these people through the South who have large cotton factories or farms or plantations or other kinds of establishments, and they in turn supply their hands with tobacco. They make a contract to supply them with so many pounds—so much of leaf and so much of various other things.

Senator PLATT, of Connecticut. Is it leaf tobacco that they supply them?

Mr. LANDSTREET. Not now, sir; but we believe that if this bill becomes a law they would supply them with leaf tobacco, and that it would be satisfactory to the hands who received it in that way.

Senator PLATT, of Connecticut. So that the hands would use tobacco which had not any Government stamp on it?

Mr. LANDSTREET. Yes, sir.

There is one feature of this matter which has not been mentioned, sir, that I think it only fair to mention, and that is the stem. The consumer probably would not take into consideration the fact that when he purchased 1 pound of tobacco in a natural stage he would purchase with it, if it was bright tobacco, 25 per cent of stem that he could not chew. Our tobacco is all stemmed before it is manufactured, of course; but this law would not permit the dealer to stem the tobacco, and the consumer would purchase 25 per cent of stem.

Senator PLATT, of Connecticut. Does anybody chew leaf tobacco in the leaf?

Mr. LANDSTREET. Oh, any number of people, sir.

Senator PLATT, of Connecticut. I was simply inquiring for information.

Mr. LANDSTREET. In the case of the sun-cured district of Virginia, sir, no manufacturer that I know of travels that district except occasionally, because the natives all prefer their unsweetened, unflavored, natural tobacco.

Senator PLATT, of Connecticut. In the leaf?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. Having a twist?

Mr. LANDSTREET. Yes, sir—well, they twist it up themselves. No doubt you have noticed that very frequently, sir. If you go through a big factory in my city, you will find that a large number of the hands chew the natural tobacco rather than that which has been manufactured.

Senator CARMACK. Mr. Landstreet, just one other question: I understood you to say a while ago that the passage of this bill would be a hardship upon the manufacturers in that they would have to pay the tax of 6 cents a pound, while the tobacco sold in its unmanufactured condition, in the natural state, would be sold free of tax?

Mr. LANDSTREET. Yes, sir.

Senator CARMACK. Would it not be a benefit to the farmer to be able to sell his tobacco free of the burden of any tax? Would it not enlarge his market?

Mr. LANDSTREET. He does that now, sir. He now sells it that way, free of any tax.

Senator CARMACK. But he has no right to do it, has he?

Mr. LANDSTREET. Yes, sir; a perfect right.

Senator BATE. Himself?

Senator CARMACK. Oh, I mean to sell it himself; but I am talking about selling it to a retailer and having a general market for it.

Mr. LANDSTREET. He can sell it to a retailer now; but the retailer, under the law to-day, can not sell it to his customers. He must sell only the tobacco that bears a revenue stamp.

Senator CARMACK. Under the present law?

Mr. LANDSTREET. Under the present law, sir.

Senator CARMACK. I am asking whether it would not be a benefit to the farmer if the retail dealer could sell his tobacco in the natural state, free of any tax; would not that enlarge his market?

Mr. LANDSTREET. I do not imagine, sir—

Senator CARMACK. I understood you to say a while ago that under the act of 1890 a very large demand for that sort of tobacco did grow up.

Mr. LANDSTREET. Yes, sir.

Senator CARMACK. There was a very large amount of tobacco purchased in that way?

Mr. LANDSTREET. I do not imagine that the fact that the tobacco was sold in that way would induce any more people to use tobacco than would use it in its manufactured stage; and unless more people were induced to use the leaf, unstemmed and unmanufactured, I do not see how it would be any benefit to the farmer; because the farmer, as I say, can only sell his tobacco once. There is a market for all he has, and—

Senator CARMACK. But he would have more bidders, more buyers, would he not?

Mr. LANDSTREET. That is a question. I do not know whether he would or not.

Senator CARMACK. You say your independent manufacturers manufacture tobacco mostly in the natural leaf, or nearly that?

Mr. LANDSTREET. No; I do not say that, sir. I referred to the southern manufacturers; I said that the plug tobacco made in the South is not heavy sweet, like it is in Louisville and St. Louis and the western towns.

Senator CARMACK. Who manufactures the Drummond brand?

Mr. LANDSTREET. That is made by the Continental Tobacco Company, sir.

Senator CARMACK. That is the trust?

Mr. LANDSTREET. Yes, sir.

Senator PLATT, of Connecticut. How about the Bull Durham? I see the "bull" all over the city.

Mr. LANDSTREET. That is made in Durham, N. C. That is a flue-cured tobacco, whereas this sweet tobacco is made from bright Kentucky burly. They will hold the amount of sweetening and our Virginia tobacco will not. You can not force the Virginia tobacco to take 80 per cent or 100 per cent of sweetening. It will not take it. It is not spongy and is not sufficiently absorbent.

Senator PLATT, of Connecticut. Then, as I understand, your claim is this: That a certain amount of tobacco is used by consumers who now have to pay a tax?

Mr. LANDSTREET. Yes, sir.

Senator PLATT, of Connecticut. And that if any considerable portion of that is to be sold so that it will not have to pay a tax it will mean just so much loss to the Government?

Mr. LANDSTREET. So much loss to the Government and so much unfair competition, I think, to a manufacturer who does pay a tax to the Government and is required to do so.

Senator McCREARY. There is a competition, then, between the two classes of buyers which would create more competition in the purchase of tobacco?

Mr. LANDSTREET. Of course the greater the demand the higher the price; but the question is whether that would increase the demand or not. The larger the demand, of course, the higher the price.

Senator ALLISON. If I understand you, your idea is that if this law is passed it will enable people who use tobacco now after paying the tax to use it then without paying the tax?

Mr. LANDSTREET. Yes, sir.

Senator ALLISON. How is that, Mr. Gaines? Is that the idea?

Senator CARMACK. Oh, yes; undoubtedly.

Senator ALLISON. That is to say, part of the tobacco could be consumed or used without paying the tax, whilst another part would have to pay it?

Mr. LANDSTREET. Yes.

Senator McCREARY. It is the leaf tobacco.

Senator ALLISON. But the leaf tobacco does not pay the tax now. The leaf tobacco does not pay the tax now if it is consumed, does it?

Senator McCREARY. Yes; and it only goes to the consumer.

Senator ALLISON. Do I understand that the leaf tobacco pays a tax now if it is not manufactured?

Mr. LANDSTREET. No, sir.

Senator ALLISON. That is what I thought.

Mr. LANDSTREET. Only when it is manufactured.

Mr. GAINES. If sold by a "purchaser" to a "consumer" it is manufactured tobacco by the law saying so, though it is still in the natural state when thus sold. If the grower sells it to a consumer, it is not "manufactured."

Senator ALLISON. I wanted to get the exact point of the matter.

Mr. GAINES. If this purchaser sells to the consumer he must pay 6 cents tax, because the law says he is a manufacturer of the natural leaf manufactured tobacco—artificially manufactured.

Senator ALLISON (after conference with Senator Carmack). The object of this, as I understand it, is to protect the tax?

The CHAIRMAN. To protect the revenue.

Mr. LANDSTREET. Senator, under the laws to-day every purchaser of 1 pound or more of leaf tobacco is required to register in the Internal-Revenue Department and account for that pound of tobacco, or whatever he may purchase, to the Treasury Department.

Senator ALLISON. Why is that?

Mr. LANDSTREET. To prevent fraud. We, as manufacturers, have to give a bond to the Government—

Senator ALLISON. Well, you have to pay a tax?

Mr. LANDSTREET. We have to pay a tax.

Senator ALLISON. Is not that so that you will not get hold of this tobacco and use it without paying the tax? Is not that the object?

Mr. LANDSTREET. That is all, sir.

The CHAIRMAN. Now, is that all, gentlemen? I think that is all, Mr. Landstreet.

STATEMENT OF HON. JOHN WESLEY GAINES, REPRESENTATIVE FROM TENNESSEE.

Mr. GAINES. Mr. Chairman, this bill, H. R. 14896, is a substitute for the seven House bills introduced this Congress for the purpose of relieving tobacco growers. This bill, H. R. 14896, was drawn by the Commissioner of Internal Revenue, Mr. Yerkes, at the request of Mr. Dalzell, chairman of the subcommittee of the Ways and Means Committee, after he had given two hearings on these House bills, and particularly the one I introduced.

This substitute proposes to repeal the existing law in one respect only—that is, by untaxing the natural-leaf tobacco in the hands of “any person.”

This 6 cents tax on natural leaf produces no revenue.

I quote from Mr. Yerkes, House hearings, page 48:

“Mr. GAINES. How much revenue do you get from that particular way of selling tobacco?”

“Mr. YERKES. I would say about nothing. Do any of you gentlemen know of leaf tobacco being sold to any man with a tax of 6 cents a pound paid on it?”

And on page 55, he says:

“Mr. YERKES. I do not think that it would materially injure the revenue of the Government. I do not think it would materially affect the proper enforcement of the revenue law, and I believe it would give large relief to the tobacco grower.”

A little lower down on the same page, he said—that is, Mr. Yerkes said:

“I believe you could grant relief along that avenue that would be of great benefit to the producer.”

That is, by untaxing the natural leaf just as this bill proposes to do. Mr. Yerkes saw no objection to granting this relief. Mr. Dalzell then stated to the members who had introduced these seven bills that if we would agree to a bill simply repealing this tax he would report it. Anxious for immediate relief, and hoping to pass such a bill, we agreed to abandon and did abandon our seven bills, and agreed to support and did support and urge the immediate passage of this substitute bill prepared by Mr. Yerkes. The report on this substitute made by Mr. Dalzell is short, and I will insert it here with a brief comment. The report reads as follows:

[House Report No. 2323, Fifty-eighth Congress, second session.]

The Committee on Ways and Means, to whom was referred the bills, to wit, H. R. 1971, by Mr. Hopkins; H. R. 3574, by Mr. Trimble; H. R. 4482, by Mr. Gaines, of Tennessee; H. R. 9870, by Mr. Stanley; H. R. 10857, by Mr. Stanley; H. R. 11889, by Mr. Flood; and H. R. 14617, by Mr. Gibson, having had them under consideration, beg leave to report a substitute.

The purpose of each and all of these bills was to afford relief to tobacco growers. To enact any one of them would necessarily result in reduction of the revenue. Being desirous of furnishing some relief, so far as practicable along the lines suggested, without sensibly affecting the revenue, your committee had a bill prepared by the Commissioner of Internal Revenue, and that is the bill which is now reported as a substitute for the bills hereinbefore recited.

The accompanying letters from the Commissioner of Internal Revenue fully explain the situation.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, March 10, 1904.

SIR In conformity with our conversation of last Saturday I herewith inclose you draft of a bill amending subdivision 9 of section 3244 of the Revised Statutes so as to allow freer dealing in leaf tobacco.

Allow me to say, first, that so far as the effect upon the revenue is concerned, should this proposed bill be enacted, it is impossible to make an accurate, definite statement. To the extent that leaf tobacco in the "hand" displaces manufactured tobacco, both chewing and smoking, the revenue will be decreased, as in this way tobacco paying no tax will displace tobacco paying 6 cents per pound in the manufactured condition. I am of opinion that the decrease in revenue will be comparatively small.

Second. No annoyance will arise by reason of this amendment so far as the execution of the laws is concerned and in the proper the administration of departmental affairs in the Internal-Revenue Bureau.

Third. The bill provides, as you will see, for compelling all persons who sell natural leaf tobacco to manufacturers of tobacco, snuff, etc., to register as leaf dealers and keep account of their sales to manufacturers. This limitation is necessary for the proper supervision of tobacco manufacturers and will not in any way interfere with the privilege of the country merchant or other retail dealer selling for local consumption.

I am, respectfully, yours,

JOHN W. YERKES, *Commissioner.*

HON. JOHN DALZELL, M. C.,
Washington, D. C.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, March 15, 1904.

MY DEAR MR. DALZELL: I regret I was out of the office yesterday morning when you called. The Hon. John Wesley Gaines has been in the office and suggested the matters concerning which he conferred with you relative to the tobacco bill sent you by me a few days ago.

Mr. Gaines asked three questions with regard to this bill.

First, whether, under the bill suggested by this Office, a farmer could sell leaf tobacco of his own growth to an exporter without becoming a dealer in leaf tobacco?

The answer is distinct and positive that he can. The farmer and grower can sell to anyone, including persons who purchase leaf tobacco for export and manufacture. He can do this under the proposed amendment just as he does under the present law.

The last proviso in the bill sent you seems to have caused especial attention, for the reason that it directly mentions the fact that a farmer may sell to manufacturers without becoming a leaf dealer. This last proviso could have been obviated by inserting after the word "person," in the second proviso, the words "except farmers and growers of tobacco." If this had been done, then the clause following the words "sections 3359 and 3391, United States Revised Statutes," could have been omitted entirely.

There is absolutely no limitation, under the proposed amendment, to the right of the farmer to sell his leaf tobacco in its natural condition to any person he pleases—the individual consumer, the dealer in leaf tobacco, the manufacturer, the exporter, or to the country merchant, or anyone else.

The second question propounded by Mr. Gaines is: Does this amendment deny to the farmer the right to twist his leaf tobacco for his personal use?

My answer to this is that it does not. There is no statute directly conferring upon the farmer and grower of leaf tobacco the right to twist his leaf for his own use.

A manufacturer of tobacco is defined in the statute as one "whose business it is to manufacture tobacco," etc.

This Office has heretofore held that the farmer or grower may twist his tobacco for his own personal use, or the personal use of his friends or members of his family, without the right to sell or offer it for sale or remove it for sale from the place where the same is twisted, without the payment of any tax, and without qualifying as a manufacturer of tobacco, for the reason that this occasional twisting can not be considered as the "business" of the man to manufacture tobacco.

The right of the farmer to so twist tobacco is in no way enlarged or abridged or altered by the proposed amendment.

The third question submitted to Mr. Gaines is whether, under the amendment, the farmer can sell his leaf tobacco through an agent or an employee without delivering it in person?

This office ruled that, under existing laws, this was a personal privilege to the farmer. Under this amendment, however, as the restrictions on persons dealing in leaf tobacco have been so largely removed, there would be no propriety in a ruling being now made limiting the sale or delivery of leaf tobacco of his own growth to the farmer in person.

This letter has been prepared after the most careful consideration of all the statutes by myself, and I am quite sure that the position taken therein is correct.

I am, very truly, yours,

JOHN W. YERKES, *Commissioner.*

HON. JOHN DALZELL, M. C.,

*Chairman Subcommittee Ways and Means Committee,
House of Representatives.*

I would not agree to support this substitute until after it was explained or construed by Mr. Yerkes himself, and I requested him to answer three questions, as shown by this last letter to Mr. Dalzell, dated March 15, 1904, made a part of this report. Whereupon the bill was unanimously reported and unanimously passed by the House.

The seven bills introduced in the House provide for—

First. The repeal of this 6 cents tax on natural leaf.

Second. For the giving of the tobacco grower the right to hand twist, for gift or sale, his own growth of tobacco.

Third. To give to the grower the right to hand stem his own growth for gift or sale.

Mr. Yerkes expressed himself as being willing, possibly, though unnecessary, to give the hand-stemming privilege, but one of the witnesses for the committee expressed a doubt as to that giving much, if any, relief to the grower.

Mr. Yerkes stated, in his testimony, at page 51, this:

"But I do not believe the Government receives to-day more than \$700,000 or \$750,000 per year as the result of the tax upon twisted manufactured tobacco."

He also said that hand twist might displace the manufactured article, but said that that displacement "could not be over \$2,000,000. But I doubt if it would reach that much."

This statement is found on page 52, House hearings.

In view of the fact that the tax actually received on hand twist amounted to between or less than \$700,000 or \$750,000, and that the hand twist might displace the sale of the manufactured tobacco, and as the tobacco growers themselves, including Mr. Yerkes, who, being a Kentuckian, is familiar with the raising and actual selling of tobacco, the friends of these House bills, as before stated, abandoned their House bills as to hand stemming and twisting, but insisted on and agreed to this bill repealing the 6 cents tax as being such relief as would aid the farmers most without interfering with the revenues of the Government. Whereupon Mr. Dalzell requested Mr. Yerkes to draw this bill, which not only repeals this obnoxious tax but gives the farmer and grower the right to deliver his own growth of leaf without doing so in person and restores the middleman to business, who can not sell to consumers free of tax.

The grower can sell his growth in the natural leaf to anyone without tax, it is claimed. That is true. But under a "construction" given the law by the Department the grower must "deliver" his own growth in person to the buyer, and that buyer can not sell to the "consumer" without paying this tax, and is forced, and can only

sell to another, first, qualified dealer, or, second, manufacturer, or, third, exporter; and they are this tobacco trust, or are controlled by it. So that while the tobacco grower can sell his own growth untaxed to anyone, he must deliver it in person, and the dealer who buys from him, to escape this tax, must sell to another qualified dealer or manufacturer or exporter. If the dealer sells to consumers the tax of 6 cents per pound attaches to the natural leaf he thus sells. In other words, the purchaser of the farmer's tobacco can avoid this tax if he sells the natural leaf to these three classes, to wit, qualified dealers, manufacturers, and exporters. But such purchaser must pay this tax if they sell the natural leaf to the consumer or sells in quantities less than a hogshead, bale, or case to anyone but a dealer, manufacturer, or exporter, which is now rendered practically prohibitory by this 6-cent tax. In this way the middleman is wiped out of the middleman's business of selling to the consumer and others, enjoyed under the McKinley Act.

So while the grower is free to sell to anyone, he must not only deliver in person, but the only market open to his purchaser in selling that leaf tobacco is along through the narrow groove or way dominated and controlled by the tobacco trust, who seek to sell to the consumer their manufactured product, which they thus buy from the grower in the leaf. Repeal this tax, and the farmer and grower can deliver as he pleases. Repeal this tax, and hundreds of these middlemen will compete among themselves for the grower's leaf, and compete with the tobacco trust for this leaf also, and in this conflict, the result of competition, the tobacco grower will be benefited, and the tobacco trust and other purchasers will be forced to buy it at a price the result at least of some competition. Mr. Landstreet says there is practically no competition for this dark tobacco.

The result, gentlemen, of this law, mostly by this tax, if not entirely, the people of this country are facing bankruptcy and the sheriff. The subcommittee of the House, it seemed to me, started out utterly against us, but soon saw the evil, and reported this bill—

The CHAIRMAN. The people of the entire country, do you mean?

Mr. GAINES. I mean the tobacco growers; and particularly those of Tennessee and Kentucky, who produce this dark tobacco, that is mostly (80 to 85 per cent) exported, the exportation and purchase of which is controlled by the tobacco trust, composed of Mr. Duke's tobacco company, which is in alliance with the Regie Company, a concern which exports—buys and exports—to foreign governments that have a government monopoly on the sale of tobacco, Italy being one.

The tobacco growers before the subcommittee of the House showed their condition to be so intolerable as the result of this 6-cent law and these trusts lurking behind it that the subcommittee soon saw the truth of their contention, and willingly and unanimously had prepared and reported this bill, and it passed the House unanimously. They saw relief was needed. They saw the evil growing out of this tax and that some relief would be given by its repeal, without, as the report reads, "sensibly" interfering with the revenues.

COST TO RAISE A POUND OF TOBACCO.

It costs 6 cents per pound to raise this tobacco. An intelligent investigation was made of this subject last year by the tobacco grow-

ers in Montgomery and Robertson counties, Tenn., and some who lived in Kentucky. Last year this tobacco sold on an average of about 3 to 4 cents per pound. Tobacco raising is hard work. It requires thirteen months per year to raise it. It is not every laborer who can cultivate tobacco. He must be, though a white man, very often, educated in the raising of tobacco before he can do so.

Such distress has followed under the operation of existing law and these trusts that this educated tobacco laborer is leaving the tobacco field, going to the railroads, mines, and the cities for employment that will at least give him a living. Where there were many warehouses, now there are none. Not only are the warehouses abandoned, but competitors who met there and bought no longer meet there, and there is practically no competition, as Mr. Landstreet states. Some 20 or 25 intelligent and honest tobacco growers, and others conversant with the subject, testified before the House committee what I have substantially stated, and in substance said:

"Gentlemen, we had warehouses and competitors under the McKinley Act who bought our tobacco, but now we practically have none. We had dealers who sold to consumers, now we have none. Repeal this tax and we will have at least this open market and some competition and the dealers restored, and we will manage to fight our share of the battle, at least against the tobacco trust that lurks behind this tax. Do this and abrogate the law or rule requiring the grower to deliver his leaf in person, and we will be satisfied, for the present at least."

Senator PLATT, of Connecticut. But can not the retailer sell it to the exporter?

Mr. GAINES. If you mean crossroads merchants or corner grocers, I answer that question "No;" but if you mean qualified "dealer," I answer that question "Yes." Under the law there is no such person as a "retailer of leaf tobacco," or such an occupation as "retail dealer in leaf tobacco." The law provides that—

"Every person shall be regarded as a dealer in leaf tobacco whose business it is for himself, or on commission, to sell, or offer for sale, or consign for sale on commission, leaf tobacco.

"Dealers in leaf tobacco shall sell only to other dealers and to manufacturers of tobacco, snuff, or cigars, and to such persons as are known to be purchasers of leaf tobacco for export: *Provided*, That it shall be lawful for any licensed merchant of cigars to purchase leaf tobacco of any licensed dealer or other licensed manufacturer in quantities less than the original package for use in his own manufactory exclusively."

You will find that definition in section 3244, Revised Statutes, as amended subsection 6 in the compilation of internal revenues, 1900, page 128.

You see that the word "retailer" nowhere appears in this definition, or "retail" dealer. But the words "dealers in leaf tobacco" are used and defined. But even this dealer, this qualified dealer, as he is called in the Department, can not sell to the consumer without paying 6 cents tax, and can only sell to three classes of persons, to wit, to other dealers, manufacturers, and exporters, without this tax attaching.

If a crossroads merchant or corner grocer bought or traded for leaf tobacco and sold it in the leaf to consumers, he would be amenable to the law for these reasons:

1. Being engaged in a business or occupation, "retailer of tobacco," unknown to the law. There is no such occupation or business provided for by the law, which only recognizes "dealers in leaf tobacco," manufacturers, and exporters, and peddlers, who can sell only manufactured goods.

2. He would be selling to "consumers" leaf tobacco bought free of tax, which no one can do. The farmer can not buy and sell to consumers free of tax. He must raise and sell his own growth to do so free of tax.

3. He would be classed as a "manufacturer" selling "manufactured" tobacco (though natural leaf) and would have to pay this tax by section 69, act of August 28, 1894.

I would state to the Senator that this bill will give the crossroads merchant the right to sell his leaf tobacco to consumers without tax or trade his goods to the farmer for his tobacco, as you will see from the third paragraph of Yerkes's letter to Mr. Dalzell explaining this bill, set out in the report submitted with it, prepared by Mr. Dalzell. This bill if enacted will restore to business the middleman, who is now deprived of the right to sell his leaf tobacco to the consumer unless he pays 6 cents tax. The middleman has not been able to continue the middleman's business of selling to the consumer, and the manufacturer, exporter, and the tobacco trust no longer buy through the dealer, but go straight to the barn of the farmer to buy. Thus we have driven the middleman out of his business, and the manufacturer and exporter who used to buy from him proceed along down the lane and "hold up" the tobacco grower by offering him their price, the price arranged by the tobacco combination, and this price is so low that it is ruining the business of tobacco growing.

Mr. Fort, president of the Robertson County Tobacco Growers' Association, a man of intelligence, experience, and integrity, said that in a certain town in Kentucky the tobacco trust has forbidden the insurance companies from insuring the tobacco in the warehouses "unless it is bought by the trust." This you will see stated on page 37 of the House hearings.

Why, sir, these tobacco buyers, agents for this combination, composed of Mr. Duke's concern and foreigners, don't exactly ride on the same horse at the same time around through the country to buy this tobacco, but I am told they do ride in the same vehicle and bid the same price for the same tobacco at the same time, or don't bid at all, or one of them only will bid.

They divide up the tobacco section into districts, and certain agents are assigned to certain districts limited by lines or county roads, and those agents refuse to even cross the highway or the dividing line in case a farmer has one barn of tobacco on one side and another barn on the other side of the road. This occurred in Cheatham County. It is not disputed, but that is one of their lines of procedure. Mr. Fort alludes to another case of a similar nature. If I mistake not, a penalty is visited on these agents when they buy outside of the particular district in which they are directed to purchase. The case Mr. Fort alluded to, he said, was the agent of the "Regie Company," a foreign concern.

There are no bidders, gentlemen; there are no warehouses. There is no competition. There were formerly several warehouses in Kentucky and Tennessee, as these hearings show, and my friend, Mr.

Trimble, here, will tell you, where there are now practically none. The large warehouse at Clarksville, Tenn., has recently been sold for a railroad depot.

Now, how is the farmer to sell his tobacco? He can "sell" it, but he has to go in person, gentlemen of the committee, and "deliver" it. He can not put his wife in the wagon and deliver it. He can not put his son in the wagon and deliver it. He can not put his negro or his hired man in his wagon and deliver it; but he must go—deaf, blind, or without arms and legs—and deliver it in person.

Senator PLATT, of Connecticut. Why?

Mr. GAINES. Why? My dear Senator, no man on the Lord's earth has ever been able to give a justifiable reason; but that is the law as construed by the Department, and these witnesses—Mr. Fort and others—say it hobbles the farmer. Yes, sir; here is his statement, in these hearings, on pages 35 and 36.

Senator ALLISON. Just read that; we would like to see about that.

Mr. GAINES. I will. [Reads:]

"The CHAIRMAN. Why can you not sell it all through the Southern States now?

"Mr. FORT. I am glad that you asked that question. I have a friend there who has three years' crop of tobacco now on hand, and unless he goes along with that tobacco he can not sell it, and as the law is now he can not sell it. But if this tax is taken off he can send his tobacco."

On page 36 he says: "A man can not go along and sell his own crop. He has got to attend to his other business."

It is enough to shock the sensibilities even of a man whose conscience, possibly, is much more sacred than mine.

Here is a letter from Mr. G. W. Wilson, the Acting Commissioner:

"TREASURY DEPARTMENT,
"OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE,
"Washington, D. C., November 16, 1897.

"P. B. HUNT, Esq.,

"Collector of the Fourth District, Dallas, Tex.

"Sir: Mr. G. D. Pierce, of Rosalie, Tex., has written to this office in regard to the sale of leaf tobacco which he raises on his farm, and states that he wishes to put a man 'on the road' with a wagon to retail. He has been referred to you. In reply, you are informed that the only person who can travel from place to place retailing leaf tobacco, without liability under the internal-revenue law, is the grower of the tobacco *himself*. He can not extend this privilege to other persons employed by him to act as agents for him in the sale of his *leaf tobacco*."

Senator PLATT, of Connecticut. That is the case of a peddler?

Mr. GAINES. That is, the owner and grower *himself* can retail his leaf. A peddler can not sell raw leaf, but is allowed to sell the manufactured article only. The word "himself" is italicized in this opinion as printed in the Department records.

Senator PLATT, of Connecticut. Well, right here, Mr. Gaines (to get at it in another way), suppose a farmer wants to sell some tobacco to a store.

Mr. GAINES. Yes.

Senator PLATT, of Connecticut. The storekeeper is licensed to buy it?

Mr. GAINES. Yes; the storekeeper can buy it, but can not sell it free of tax.

Senator PLATT, of Connecticut. He makes a contract?

Mr. GAINES. Yes.

Senator PLATT, of Connecticut. Can he not send his man down to dispose of it?

Mr. GAINES. No, sir; he can not, if you mean by the words "dispose of it" that "his man" can "deliver" it also. Such a man has no right to "deliver" it.

Senator PLATT, of Connecticut. Well, where is there anything in the law which prevents it? An agent can solicit sales, but the grower must deliver the leaf the agent sells.

Mr. GAINES. I will read it to you before I get through. There are a number of these opinions construing that to be the law, and they are in these hearings here. I will finish reading this one:

"There is no objection, under the internal-revenue laws and regulations, to the farmer employing men either to travel and take orders by means of samples for leaf tobacco of his own growing or to take such orders at fixed places of business, provided all these orders are sent to the farmer who ships the leaf tobacco for delivery to the person ordering. The law contemplates that the farmer or planter may himself sell leaf tobacco of his own growth and raising without any restrictions. He can sell it loose in the hand in any quantity to any person; but this is a personal privilege which he can not delegate to anyone else. Leaf tobacco can not be sold for the farmer by a broker on commission or by an agent or employee without rendering such party liable to the tax imposed on the dealer in leaf tobacco."

Senator PLATT, of Connecticut. But you still do not meet my question. Suppose he sells his crop to some retailer 5 miles off. Can he send his man to deliver it?

Mr. GAINES. No, sir; he can not. The proposition was not disputed but admitted by Mr. Yerkes that he would have to deliver in person. Again, there is no such person under the law as a retailer in leaf tobacco, and a "dealer" can not sell leaf to the "consumer" free of this tax.

Senator BATE. I presume he can deliver it, but he can not send that man there to sell it to him?

Mr. GAINES. Yes; he can, but the grower must "deliver" it in person, and an agent may solicit, but the grower must deliver it. And that has been the rule since the Wilson tariff act. Mr. Yerkes stated to the committee that this construction of the law was "too rigid," he thought, but that it was a rule of long standing. That is somewhere published in these House hearings, gentlemen. I ventilated the whole question before the committee and in the House, and that is the law as construed by the Department.

Mr. LANDSTREET. Mr. Gaines, may I ask you a question?

Mr. GAINES. Yes, certainly.

Mr. LANDSTREET (to the chairman). Have you any objection?

The CHAIRMAN. Certainly not.

Mr. LANDSTREET. I think, sir, that the ruling which you refer to was in the case of a man going out to peddle tobacco. The farmer raising it can naturally do that; but so far as the warehousemen are

concerned, he can send his tobacco to a warehouse to anybody in the world by anybody in the world.

Mr. GAINES. I am not talking about the warehouse. The warehouseman would sell it for the grower and deliver it for the grower in that case, but he can not sell to the "consumer."

Mr. LANDSTREET. By train or otherwise where it is then sold.

Mr. GAINES. "He (grower) would not have the right to ship his tobacco to another person to be sold by such person directly to consumers, but he may place it in the hands of a qualified dealer in leaf tobacco to be sold to other qualified dealers or to manufacturers or to persons who purchase tobacco in packages for export." (Int. Rev. Comr. Dec., No. 20482, Jan. 3, 1899, vol. 2, p. 245.) Sending it to the warehouse "to sell" is not a sale. The warehouse is a place to make sales. The warehouseman sells it and delivers it and is paid by the grower. Another burden on the grower, Mr. Chairman. The grower can sell his tobacco to some—say he gets a letter from a proposed purchaser living some distance, the grower could deliver the tobacco to the common carrier; but in that case that would only be, I should say, a constructive delivery, the carrier being perhaps the agent of the purchaser. But agreeing, gentlemen, that he can do that, such a law or such a ruling cramps the grower and destroys his liberty. The law of agency is restricted. Here, Mr. Chairman, is another one of these opinions—page 64 of this hearing—sent by Mr. Yerkes to Mr. E. C. Love, Alone, Ky., February 28, 1903:

"Sir: In reply to your letter, dated 25th instant, you are advised that a farmer or grower of tobacco may sell leaf tobacco of his own growth and raising and that received from tenants as rent without restriction as to the quantity sold, the place of sale, or the business of the person who buys the tobacco.

"This privilege that a farmer has of selling his tobacco without restriction is a personal one, which he can not delegate to another person, except that he may place his tobacco in the hands of a registered dealer in leaf tobacco, who may sell the same to other registered dealers in leaf tobacco or to manufacturers of tobacco or cigars, or to persons who buy leaf tobacco in packages for export exclusively.

"A farmer is not privileged to stem, twist, roll, plait, sweeten, or otherwise change his tobacco from the condition in which it was cured on the farm for the purpose of selling the same to consumers, as all tobacco so manipulated is regarded as manufactured tobacco and subject to tax of 6 cents per pound, and must be put up by the farmer himself, if it is so changed or manipulated, if intended for sale to consumers, in packages containing 10, 20, 40, or 50 pounds of tobacco properly labeled and stamped as provided by regulation No. 8, pages 5 and 6, a copy of which is inclosed to your address, under a separate cover, for your information."

Senator PLATT, of Connecticut. Your statement was that he could not put his wife or daughter or hired man on the cart to deliver it to the person to whom he had sold it.

Mr. GAINES. Yes; I said that. I contend that that is law, as construed by the Department, and that that is what these opinions mean. If the grower sells his own growth to any person, this ruling requires that grower to deliver it to the purchaser in person. That under this construction of the law the right to sell does not include delivery

by the hired man, wife, or child. In other words, the sale is not within the keeping of the law as construed if the tobacco is not delivered by the grower in person. He may place his tobacco, as this opinion states, in the hands of a "dealer in leaf tobacco," and that dealer can sell the same to (only) three classes of buyers and escape this tax, to wit:

First. Other registered dealers in leaf tobacco.

Second. To manufacturers of tobacco or cigars.

Third. To persons who buy leaf tobacco in packages for export exclusively.

I am quoting almost literally from this opinion. Placing the tobacco in the dealer's hands to sell is not of itself a sale; but if it does so, that registered dealer must be paid by the farmer—another burden. That dealer can't sell it to the consumer. But when the farmer sells himself he must himself deliver it in person. On this point I will now quote from the House hearings—

Mr. TAWNEY. Can anyone be permitted to sell it without paying 6 cents tax per pound?

Mr. YERKES. Why, certainly. The man who purchases it does not pay a cent tax for the privilege of purchasing, and he, the purchaser, pays no tax on the tobacco if he resells to another leaf dealer, manufacturer, or for export.

The CHAIRMAN. He sells his tobacco just as a man sells his wheat or hay or oats?

Mr. YERKES. Yes; except one limitation. I am frank to admit that it is not a necessary limitation, perhaps, made by the regulations of the Bureau under a statute requiring him to sell directly himself.

Mr. COOPER, of Texas. Does the producer have to sell his product in person?

Mr. YERKES. That is the letter of the law. I am frank to say, however, it has never been enforced with any great particularity.

Mr. COOPER, of Texas. He can not, under the law, sell it through an agent?

Mr. YERKES. Except through the commission merchant, warehouseman, or broker. That is the condition everywhere.

Mr. GAINES. An agent can solicit. The grower must deliver directly to the consumer. That is one of the rules of the Department.

Mr. YERKES. Yes. That ruling has been in force for a number of years, and I am frank to admit that it is perhaps too rigid.

Now, Mr. Chairman, if "the grower must deliver directly to the consumer," then the grower can not deliver indirectly through his wife, his child, or hired man. If he sells to a legalized dealer, Mr. Yerkes says:

"That dealer can sell to the manufacturer or to another leaf dealer or to an exporter without paying a cent of tax. But when he sells to the consumer, then the tax of 6 cents per pound applies as to any manufactured tobacco," and under the law the leaf becomes "manufactured tobacco," if sold by anyone but the farmer to anyone but the dealer, manufacturer, and exporter.

Under the law the natural leaf bought by a dealer from the grower and sold by the dealer to the consumer becomes manufactured tobacco, though still in its natural or leaf condition, and the dealer

must pay 6 cents a pound, which has wiped the dealer out of that part of their former business. But if the farmer and grower sells his own growth to the consumer—that is, sells and delivers it himself in person—no tax attaches.

Now, then, repeal this tax, and you will restore the dealer to business, who will create a demand for this tobacco by selling it to consumers, and then the leaf dealers will rise up, as in former years, and compete among themselves for the tobacco leaf in the growers' hands.

So that, Mr. Chairman, the farmer is hobbled. He can not leave his farm and go and take his leaf over the hills. He has to go in person and sell it, if he sells it at all.

Some farmers in Cedar Hill—that is a tobacco country in Tennessee—were offered last year about 4 or 5 cents for their tobacco, and sold down there for an average of about 4 cents all around. It cost 6 cents to raise it. They investigated that and found that to be the fact. One of the growers took his leaf from Cedar Hill, Tenn., I think it was, or possibly from Kentucky, to Texas, or some non-tobacco producing district, and undertook to sell it himself at 24 or 25 cents a pound, possibly, but his expenses were so great that he came out even. He had been offered 6 cents for it at home. This instance is alluded to by Mr. Cooper, of Kentucky, in the House hearings, along with the statement of Mr. Fort, president of the Tobacco Growers' Association of Robertson County, Tenn., who was asked by Mr. Dalzell this question:

"The CHAIRMAN. Why can you not sell it all through the Southern States now?

"Mr. FORT. I am glad you asked that question. I have a friend who has three years' crop of tobacco now on hand, and unless he goes along with that tobacco he can not sell it, and as the law is now he can not sell it. But if that tax is taken off, he can send his tobacco."

On the next page, 36, Mr. Fort said:

"A man can not go along and sell his own crop. He has got to attend to his other business." In the instance cited by Mr. Cooper, on page 35 of the House hearings, the grower came out even after he had taken his tobacco to Texas and sold it for 24 and 25 cents. "He came out even." He had left his home and his business, did this and came out even, while Mr. Fort says that the trouble about the farmer in going along himself is that he must attend to other business. He must run his farm, look after his family.

The CHAIRMAN. I want to ask you, when you get through, a few questions.

Mr. GAINES. You might ask them now, Mr. Chairman.

The CHAIRMAN. You say that from 80 to 85 per cent of the tobacco in which you are interested is exported. Who are the purchasers of that tobacco?

Mr. GAINES. We export about 80 to 85 per cent of our tobacco. The trust—the Rigi concern and the American Tobacco trust—they work together. I am not joking, Mr. Chairman; this is a very serious matter with my people.

The CHAIRMAN. What do the American Tobacco people do with the tobacco they buy in Tennessee?

Mr. GAINES. They formerly competed for it before they amalgamated with the Imperial or English company, which Mr. Duke now

controls; but now they do not compete. The Attorney-General is investigating them now in Kentucky and Tennessee, aided by Special Assistant District Attorney Mr. A. E. Garner, of Springfield, Tenn.

The CHAIRMAN. You do not quite answer my question. What do the American Tobacco Company, or any other domestic manufacturer, do with the tobacco they buy in Tennessee?

Mr. GAINES. They ship it abroad—80 to 85 per cent of it.

The CHAIRMAN. As exporters?

Mr. GAINES. As exporters.

The CHAIRMAN. Do they use it, or simply export it?

Mr. GAINES. No, sir. They do not use it. The proof here is that from 80 to 85 per cent is sent abroad.

The CHAIRMAN. They are brokers, exporters as well as manufacturers, are they?

Mr. GAINES. Yes. The American Tobacco Company, composed of many other companies, is a manufacturer and exporter. It uses tobacco in all shapes. This dark tobacco that remains here at home is mostly made in snuff, a small portion, I presume, being consumed by the growers themselves.

The CHAIRMAN. They do not use any part of that tobacco in the United States?

Mr. GAINES. The American Tobacco Company, which makes snuff, may use a part, while the Rigi concern ships its purchases abroad.

The CHAIRMAN. You are sure they are purchasers?

Mr. GAINES. Yes. That is not disputed. I hear of their agents buying around, and I am reliably informed they are purchasers. But, my heavens and earth, Mr. Chairman, they purchase at their own price. There is no competition.

If you pass this bill it will restore competition and the dealers to business, we think, and certainly the liberties of the tobacco grower to deliver his tobacco by his son or his employee.

The CHAIRMAN. I am simply trying to find out by what process these people have united. You say "Rigi." What "Rigi" do you mean?

Mr. GAINES. It is a concern that represents and buys for Italy and Spain, and possibly other foreign governments that buy and sell tobacco for their people and put the revenue in the treasury of the several governments. They employ local agents from Tennessee and Kentucky who operate under a special agent in New York and possibly elsewhere in the United States.

The CHAIRMAN. Do you mean they are all together?

Mr. GAINES. They are all combined. The American Tobacco Company and Imperial Tobacco Company, that formerly competed for this tobacco, have, in 1902 or thereabouts, combined. Mr. Duke controls both the American Tobacco Company and the Imperial Company, and that company now is known as the "Imperial American," or "American Imperial Tobacco Company." Then we have the Rigi concern. These three formerly competed. Now the English and American company, in one, are in alliance with the Rigi concern, fix the price, and hold up the grower, and the Attorney-General of the United States, Mr. Moody—

The CHAIRMAN. I understand that, but I am trying to get at your ideas about it.

Mr. GAINES. The Attorney-General is now investigating these three concerns in Tennessee and Kentucky. For the past year I have myself been collecting testimony for the purpose of hauling these concerns before the bar of justice.

The CHAIRMAN. Do you think we could prosecute and perhaps put in jail representatives of foreign governments for the transactions you refer to, say of the French Government or of the Spanish Government, for combining? Is that your notion?

Mr. GAINES. Why, certainly. The so-called Sherman antitrust act, for which the chairman voted in 1890, prohibits interstate trust combines and international trust combines, and this is both. If these foreigners disobey the law, they are amenable to its penalties. The law exempts no one, and should not, but it happens that an American citizen, Mr. Duke, controls two of these concerns, and that local agents, Americans, represent the Rigi company.

The CHAIRMAN. "International trust combine?"

Mr. GAINES. Yes, sir; international trust combines or an unlawful combination engaged in foreign commerce as well as an interstate trust combine engaged in Federal commerce, both being expressly condemned by this law.

The CHAIRMAN. You think we have jurisdiction in such matters?

Mr. GAINES. Indeed we have. I don't think the law contemplates we should be so hospitable as to allow these foreign representatives, condemned by the law, to come here and outrage our people and destroy our commerce, and the Attorney-General has directed an investigation of this particular matter.

The CHAIRMAN. Yes; but I was trying to get your idea as to how we could stop what you call the combination of the representatives of these foreign governments.

Mr. GAINES. Enforce our trust laws and make this bill law, and our tobacco growers say they will help in the fight and relieve themselves as well. The House hearings are full of statements of the growers on this subject and how each concern operates.

Senator PLATT, of Connecticut. May I ask you a question right here?

Mr. GAINES. Yes, sir.

Senator PLATT, of Connecticut. It is purely for information; this is the first time I have heard of this matter.

Mr. GAINES. Yes, sir.

Senator PLATT, of Connecticut. You say 85 per cent of a certain kind of tobacco is exported?

Mr. GAINES. Yes, sir.

Senator PLATT, of Connecticut. Suppose you pass this bill, do you suppose it would be sold for use among people who buy of the retailers in the country?

Mr. GAINES. They did use it, and prices were higher than now before this 6 cents tax was placed on the natural leaf when sold by dealers to the consumers. It is very strong tobacco, I am informed, and is used some, and would be used more if the people could get it, even if it is strong.

Senator PLATT, of Connecticut. Then as to that kind of tobacco, how would this bill help?

Mr. GAINES. How would it help?

Senator PLATT, of Connecticut. If the farmers can sell it to the retailers and they in turn sell it for consumption in this country, how would it help?

Mr. GAINES. The retailer would sell it in nontobacco-producing sections and otherwise barter in it—exchange his groceries for the leaf.

But there are no "retailers" known to the law. This will restore them. There are "dealers, manufacturers, and exporters." If you call a "dealer in tobacco," who is known to the law, a "retailer," then, as before stated, I say that the dealer can not sell for consumption free of tax. He can not sell to the consumer free of tax. The farmer only can sell free of tax to the consumer, and must deliver it in person. Dealers can only sell free of tax to other qualified dealers, manufacturers, and exporters, and do so in a certain prescribed way. No person can sell to the consumer free of tax but the farmer, who must sell his own growth. The manufacturer or exporter can not sell to the consumer at all. The dealer may buy, or the manufacturer or the exporter, but they are all dominated by this tobacco combine.

If we have any dealers, the middlemen we call them, are forced to sell to another dealer or the manufacturer or exporter, and are directly or indirectly, all of them, controlled by this tobacco trust.

If there are independent buyers, any independent buyers, they are independent in name only. They don't try to raise the price. They buy along at the price set by this combination. The dealer would be restored to commercial life if this bill was passed. He is ignored by the tobacco trust, and can't sell free of tax to the consumer.

Senator PLATT, of Connecticut. Now, come back to my question—

Mr. GAINES. Yes; I will.

Senator PLATT, of Connecticut. Suppose you pass the law, and the man who raises the leaf, can he sell it to the retailer, and what can that retailer do with it? Can he sell it for consumption in his neighborhood?

Mr. GAINES. If you pass this bill into law he can. But he can not under existing law, because—

First, there is no such business under the law as "retailer" of tobacco. If a crossroads merchant should buy the leaf and sell it he would become a "manufacturer" by the very letter of the law, because "every person" is a "manufacturer" who sells to the "consumer," but the farmer, who sells his own growth. Neither can the dealer, as I have stated, sell to the consumer free of tax. He can only sell to other dealers, manufacturers, and exporters.

Pass this bill, and the warehouseman will be restored and dealers will come there and bid, as in old days, for the tobacco leaf, and then they can sell to the consumer and all parties deliver without any trouble. As it is, practically these men are wiped out of business. Then the farmer can deliver his tobacco as he chooses. He could exchange it to the country merchant for food and raiment. As it is, he can't do that. And then, when the present purchaser would try to bear the market, the dealer and the farmer would have the liberty of selling and delivering their tobacco in other territories—nontobacco-producing districts—where laborers would consume it. The proof shows the negroes—farm hands in such districts—and miners would use this tobacco. Those who are used to fine manufactured tobacco would not use it much. You see here the chance for the leaf

to be offered by the grower and dealer in other markets than directly to other dealers, the manufacturer, or exporter, if this bill is enacted.

The CHAIRMAN. My reason for asking you the question about that, Mr. Gaines, was to find out whether or not you saw there was a remedy in the law.

Mr. GAINES. Undoubtedly, Senator. The growers say so in Tennessee and Kentucky, and this condition did not exist under the McKinley Act, they say, and that they ask you to restore in so far at least as it was repealed by the Wilson Act, section 69, which put this 6 cents tax on the natural leaf when sold by anyone (except the farmer) to the consumer.

The CHAIRMAN. And you say the Attorney-General is now trying to enforce the law?

Mr. GAINES. Yes, sir.

The CHAIRMAN. Now, is it not much better to trust to those remedies than to come here and ask us to change the revenue system of this country, simply to do something which you think would not affect you very much, if it does at all?

Mr. GAINES. But it does affect us very much; and, then, the Attorney-General may fail in this suit. About 55 of the best tobacco growers in the neighborhood of Clarksville, Tenn., on the line between Tennessee and Kentucky, met, and after serious and intelligent consideration found that it cost 6 cents a pound to raise this tobacco, and that it had been sold last year on an average of 4 cents. For the dealer to sell this tobacco to the consumer around in the tobacco neighborhood at 4 cents, its cost, plus 6 cents tax, plus 1 cent for his living, making 11 cents tobacco that that dealer would try to sell right in the neighborhood where he bought it for 4 cents! So the dealer is wiped out of that business.

Repeal this tax and this trouble is removed. It can be exchanged, like other agricultural products, to the storekeeper, who can sell it and deliver it to whom he pleases in that district, or send it to some State or neighborhood that raises no tobacco and sell it. Under the present law he can't do that. That is the country-store man. The dealer can, but he is dominated by the trust that has driven him out of that business and is forced to sell to the trust when he sells or to an exporter or manufacturer. The tax enters into the price of the tobacco when sold by the consumer by the dealer, but does not when sold by the farmer selling his own growth.

Senator ALLISON. I do not understand that.

Senator PLATT, of Connecticut. Well, as he manufactures it—

Mr. GAINES. I will make myself entirely plain in a moment, I trust. The dealer buys the tobacco, say, at 4 cents, on an average. It sold for that in Robertson County last year. He adds 6 cents tax to that, which he is required to do if he sells to the consumer. He is a "manufacturer" if he does that, and the tobacco "manufactured" if he sells to the consumer. That makes the tobacco cost him 10 cents. Add 1 cent for the dealer's profit or living, and the tobacco is then in the dealer's hands and priced to the consumer at 11 cents. Now, how can that dealer sell 11-cent tobacco in this tobacco neighborhood, where he only paid 4 cents for it? He can't do it, and is wiped out of business, and—

Senator ALLISON. I wish you would explain to me how you charge up that 6 cents to the cost of the tobacco.

Mr. GAINES. That has been the law since the Wilson tariff act, which makes "every person" a "manufacturer" who sells "natural leaf to the consumer" (except the farmer when he sells his own growth). Such tobacco is called, by section 69, Wilson tariff act, "manufactured" tobacco, though it is still in its natural leaf; and the dealer who sells it is called by the same section a "manufacturer." So that, when the dealer sells this tobacco he must add the price he paid for it to the tax, which makes it 4 cents, the price, plus 6 cents, the tax, or 10-cent tobacco in the hands of the dealer. Add 1 cent to that for a profit, and it is 11-cent tobacco that he offers the consumer, but which the consumer refuses to buy, because he can get it at what the dealer paid for it, or about that—that is, for 5 or 6 cents, if he buys in the neighborhood where the dealer bought it. The result is the dealer doesn't sell, can't, and has quit trying to sell, if he is in business at all, to the consumer.

Mr. ALLISON. If the farmer manufactures it and sells it, the tax applies. But if he sells the leaf tobacco to the consumer he can do so without being taxed.

Mr. GAINES. If the farmer manufactures—changes the leaf except to cure it—his own growth and sells it, the tax applies. If he sells it in the leaf to the consumer or anyone, no tax applies. But if the "dealer" sells it to the consumer, though in its natural state, the 6 cents tax applies, which has driven him out of business. The least change in the natural leaf, except to cure it, the law (sec. 69, Wilson Act) declares the tobacco thus changed "manufactured," and the tax applies if it is sold or given away. Twisting, for sale or gift, is manufacturing; stemming, for sale or gift, is manufacturing, even though done by the grower and owner, and if the dealer sells to the consumer the natural leaf, the law says he is a manufacturer, and that natural leaf is manufactured tobacco and taxable.

Mr. LANDSTREET. If he is a registered dealer.

Mr. GAINES. I understand that. But I am saying if the dealer, or anyone but the farmer, sells the natural leaf to the people, he becomes a manufacturer, and the natural leaf thus sold is manufactured tobacco and taxable.

Senator BATE. He is the only kind of a man to buy.

Mr. GAINES. If the dealer, or anyone but the farmer, sells the natural leaf to the people, it is taxable as manufactured tobacco, which forces the people to grow and sell to one buyer, practically—this tobacco combination.

Senator PLATT, of Connecticut. If he sells it to the people for their own use—they can not use, do not use, this kind of tobacco, as I understand it?

Mr. LANDSTREET. In this country.

Mr. GAINES. They do not use very much of it. They can trade in it if you pass this bill.

The CHAIRMAN. And you do not expect the habits of the people of this country to be changed by this law, I assume.

Mr. GAINES. Yes; and then I want the liberties of the people to be restored. That is, in part, what we are trying to get.

Senator PLATT, of Connecticut. But the liberties of the people do not include chewing this tobacco. But—

Mr. GAINES. But they do include the right to sell it and resell it to whom they please, as they sell their corn, their wheat, and their

barley and oats, to whomsoever they please, and deliver it by and through their employees, a right which has been taken away from the grower when he undertakes to sell the tobacco he grows, and which right we ask to be restored by the enactment of this bill. This bill will not "sensibly" affect the revenues.

The CHAIRMAN. Do you think that the men who distilled corn into whisky would have any large market on it if they could sell it free of any tax?

Mr. GAINES. But that is selling a changed product. That is corn or rye turned to or manufactured into whisky. We do not ask you to give us permission to change the natural leaf to manufactured tobacco. Not at all. But do give us the chance to deliver it to the consumer in our wagons, driven by our employees. And do give the middlemen the chance to buy and sell this tobacco to consumers, as they formerly had. It hurt no one then, and will not now. We do not ask to change the leaf before or after we sell it.

The CHAIRMAN. The tendency is to change it just the same.

Mr. GAINES. This bill applies to the natural leaf, and that only. I simply ask that this tax be lifted off of it in anybody's hands. It produces no revenue and is a crying evil.

Senator ALLISON. Had we not better adjourn now?

The CHAIRMAN. Yes. I think we will have to adjourn.

Senator ALLISON. I have been very strongly interested in what you have said, Mr. Gaines, and I would like very much to get more clearly in my head how this tax is paid on the natural leaf tobacco.

Mr. GAINES. I will explain it to you, Senator. Mr. Chairman, will you tell us when we will have another meeting?

The CHAIRMAN. We will let you know.

(The committee thereupon, at 5.10 o'clock, adjourned, subject to the call of the chairman.)

WASHINGTON, D. C.,
Monday, February 6, 1905.

The subcommittee met at 11 o'clock a. m.

Present: Senators Allison (acting chairman), Daniel, and Gorman.

Present, also, Senators Bate and Carmack, and Hon. John Wesley Gaines, Representative from Tennessee.

STATEMENT OF FELIX GRUNDY EWING, ESQ., OF GLENRAVEN, TENN., CHAIRMAN OF THE EXECUTIVE COMMITTEE OF THE DARK TOBACCO DISTRICT PLANTERS' PROTECTIVE ASSOCIATION OF KENTUCKY AND TENNESSEE.

The ACTING CHAIRMAN. Mr. Ewing, please state your occupation and business, so that we will know what significance there is to your testimony.

Mr. EWING. My name is Felix Grundy Ewing. I am a tobacco planter living in Robertson County, Tenn. I am the chairman of the executive committee of the Dark Tobacco District Planters' Protective Association.

Mr. Chairman and gentlemen, we are a trust-ridden people. We are suffering very much from the methods that they have resorted to in buying tobacco from us. It has been the custom for the past four

years for one buyer to come to a barn and make one bid on that tobacco, and, generally speaking, he does not come any more. He comes and says: "I will give you 4½ cents," or "I will give you three and one," or "I will give you something else;" and it is that or nothing. Most frequently we will not have another opportunity of selling.

We see an outlet now for our crop. We are organizing the farmers and demanding a better price. We know that our tobacco is not raised anywhere else in the world. We know that our good tobacco can not be duplicated, and we are making a very earnest effort to organize the farmers, with a view of making them pay a fair price for tobacco. But there is another thing that affects us very much. The trusts have been buying the best of it at their own prices, and then they will say, "20 or 25 per cent of this tobacco is nondescript, and we will buy it for nothing. We will give you 3 cents for that," or "we will give you 2 cents for it."

The ACTING CHAIRMAN. That is the refuse?

Mr. EWING. That is what they call nondescript, but we call it low grade, or lugs.

The ACTING CHAIRMAN. And that is what you want to retail?

Mr. EWING. That is what we want to retail; and if we had the opportunity of simply saying to them, "This tobacco that you call nondescript you need not take unless you want; we can make another disposition of it," then we would be satisfied. We want to have the privilege of selling that tobacco at retail.

The ACTING CHAIRMAN. Where would you sell it, then?

Mr. EWING. It is a very coarse character of tobacco, and we would sell it largely to miners and persons of that kind. I do not believe it would be possible for us to take it to a store in New York, or possibly in Washington City, and sell it to a fashionable class of trade. I do not think that would be a possibility. But everybody in that district chews and smokes our own tobacco, and they prefer what we call the "lugs"—that is, the lowest grade. They prefer it because it is not quite so strong as the higher grade tobacco. Eighty per cent of our whole crop is exported.

The ACTING CHAIRMAN. What do they do with it? How do they prepare it in order to use it?

Mr. EWING. I presume you mean this tobacco we desire to retail at home. If they chew it they just break off a part of the leaf.

The ACTING CHAIRMAN. They just chew the leaf?

Mr. EWING. Sometimes they put it in twist, you know. A man can put it in a twist if he does not dispose of it. Sometimes they do that; but at other times you will find a man with just a hand of tobacco in his pocket, and he will break off a part of the leaf. If they smoke it they crumple it in their hands and put it in their pipes. It is a coarse grade of tobacco that is not popular with the better class of trade; but we see that it has an outlet in this way.

Again, we recognize the fact that this is the only agricultural product that is taxed. Ours is a tobacco country, a tobacco soil, and a tobacco climate. We can not raise wheat and corn in competition with other sections of the country. Our grass is not spontaneous. We do not raise stock as they do in other sections of the country. We are absolutely dependent upon tobacco.

Mr. GAINES. It is tobacco and peas, is it not, Mr. Ewing?

Mr. EWING. We do raise wheat, corn, and clover. We necessarily rotate, but our yield is not great.

Mr. GAINES. That is all you can raise on that ground?

Mr. EWING. Yes. These trusts have broken up our foreign markets. If an independent buyer should come in there and offer to buy any of our tobacco—which has happened, and would happen tomorrow but for this state of affairs—they would quickly give him to understand as soon as he found himself in competition with them that for every hogshead of tobacco that you are going to sell in Bremen we will have a hogshead to sell at a lower price. And it happens, without exception, that when independent buyers come in there and buy our tobaccos and ship them to Bremen, which is our largest open market in Europe, they lose money, or at least make nothing, and the enterprise is dying. There have been thousands of hogsheads of tobacco belonging to independent buyers stored in Bremen that they could not sell, because these corporations are simply offering their tobaccos at a lower price to kill competition in buying.

The ACTING CHAIRMAN. How much of your product is exported?

Mr. EWING. Fully 80 per cent; frequently as high as 85 per cent.

Senator BATE. That is for the reason that you have not any market at home?

Mr. EWING. We have no market at home. We are most frequently offered one price by one man. There are three large buying corporations there—the Italian Government, the American Tobacco Company, and the Imperial Tobacco Company. The American Tobacco Company means the Continental Tobacco Company and a good many others that are associated with it.

Senator BATE. Is the Italian company what is known as the "Regie?"

Mr. EWING. The Italian company is the Regie; yes, sir. Now, the Italian buyer will come to a barn and offer us one price, and these other men rarely come near us. We often do not see them or hear of them. One thing that has injured our whole tobacco interest is that there are so many of extremely modest means that can not keep up with conditions existing and as imposed upon farmers from the fact that he does not come in contact with all the facts as to the methods adopted by these corporations, who is badly discouraged and who can not appreciate the necessity for being somewhat independent in business, runs after the buyer and says, "I can not sell on one bid; some one else must come here and look at my tobacco. Won't you come and look at it?" And they say, "No; we can not come;" and they will not go. That has injured us very much indeed. But the greatest injury to us has been the fact that they tell us that this is a nondescript tobacco, and they can not use it anywhere; or that it is overproduction—which, in fact, it has never been—and if an independent buyer buys it and ships it abroad he loses money on it, without exception. If you will remove this tax, or rather unfetter us by not requiring the planter to deliver it in person, but instead give us what is an inherent right to sell through others, we will make a home market for what is termed nondescript or overproduction tobacco. We believe we are entitled to it as citizens, and the country is suffering for the want of it. This would restore competition on open market.

The ACTING CHAIRMAN. Have you no market?

Mr. EWING. We have no competitive market, but if you will pass this Gaines-Yerkes bill the planters' association will do the rest, and we soon will have a market.

The ACTING CHAIRMAN. You can not ship your tobacco anywhere?

Mr. EWING. We can not sell advantageously.

The ACTING CHAIRMAN. Is there no market in New York, for example?

Mr. EWING. No, sir; the same market conditions would exist there as to our tobacco at as home.

The ACTING CHAIRMAN. None in Richmond?

Mr. EWING. No, sir; I think that tobacco district has grave grievances also. I am informed by prominent and reliable dealers that these Italian buyers that come to our barns and offer us one price for tobacco have a contract with the Austrian Government. That is the Regie system, too. They take the very best of our tobacco at their own prices literally, reassort it and supply the Austrian Government. I was in New York day before yesterday talking to some men who I believe are thoroughly informed as to the system—that a large amount of our tobacco is selected as Austrian tobacco and is shipped to Virginia and exported from there as Virginia tobacco for the Austrian Government. I am informed they supply the Austrian Government a large amount of tobacco. They simply say to them, "You stay out of the market and we will buy your tobacco a great deal cheaper than you can, and we will sell it to you."

Senator BATE. That is the trust?

Mr. EWING. That is the trust; yes, sir.

Mr. GAINES. What has become of your warehouse men, Mr. Ewing?

Mr. EWING. The warehouse men are out of business, practically speaking; they are only existing. There is nothing for them to do. These Regie people decline absolutely to buy any tobacco out of a warehouse. They decline absolutely to buy except from the farmer himself, and out of his own barn.

The ACTING CHAIRMAN. Are these people that come to you Italians?

Mr. EWING. No, sir; they are all Americans; but they have a commissioner in the city of New York who regulates the whole thing.

The ACTING CHAIRMAN. They buy under him?

Mr. EWING. He is, I am informed, a man at a salary of \$60,000 a year; and he regulates the whole system.

Mr. GAINES. Do they employ local men to represent the Italian Government?

Mr. EWING. They employ local men. A man from Virginia named Dunnington, a very nice gentleman, looks after the interests of the Regie corporation throughout our tobacco district.

Senator DANIEL. He represents the Italian Government, does he?

Mr. EWING. He represents the Italian Government through the commissioner who resides in New York.

Senator DANIEL. I know him. He is building a factory in my town.

The ACTING CHAIRMAN. What portion of this tobacco of yours is refuse tobacco—that is, what they call "refuse," that they will not buy at all?

Mr. EWING. You did not understand my former statement. Little or none is refuse, though some is low grade. They want it all, at least one of the three buying corporations does. They call it "non-descript," to buy it low. Our lowest grade is our lug, and a crop may lug one-fifth, one-fourth, or one-third, according to season.

The ACTING CHAIRMAN. Never more than a fourth?

Mr. EWING. No, sir. The crop of my district is at times 150,000,000 pounds. This year we are 30,000 hogsheads short. We do not hope to make over 110,000,000 pounds this year, and it is on that account that we are making such a tremendous effort to organize the planters. We know that we are more apt to organize on a short crop than we are on a very full crop.

The ACTING CHAIRMAN. You speak of the crop of "this year." You refer to the crop grown last year?

Mr. EWING. It is the crop of 1904; yes, sir.

Mr. GAINES. Mr. Ewing, if the chairman will allow me to ask you a question.

The ACTING CHAIRMAN. Yes, sir; certainly.

Mr. GAINES. Mr. Ewing, you are chairman of the Dark Tobacco District Planters' Protective Association of Kentucky and Tennessee?

Mr. EWING. Yes, sir.

Mr. GAINES. Why have you organized that association, and how have you done it?

Mr. EWING. Because we have sold tobacco at a loss for the past four years, and because they are putting us out of business. While I have 31 tobacco barns on my plantation, 15 of them are empty to-day; and it is simply a question of getting a better price or quit planting tobacco.

Mr. GAINES. How much does it cost to raise a pound of tobacco there?

Mr. EWING. We estimate that it costs 6 cents to raise a pound of good tobacco, and I have sold lots of it at 3.

Mr. GAINES. What was the average price last year?

Mr. EWING. Supposedly 4 cents.

Mr. GAINES. Four cents; so you planters have sold at a loss. Now, Mr. Ewing, you say you can sell this—what did you call it—refuse?

Mr. EWING. Yes; the lugs or other low grades.

Mr. GAINES. What, if anything, hobbles the farmer in selling that tobacco?

Mr. EWING. It is because he is not allowed to deliver it, except in person, without paying the tax. I was talking recently to Secretary Wilson, and he told me that Senator Allison had told him that there was no restriction upon the farmer delivering his tobacco through another party.

The ACTING CHAIRMAN. To a dealer—to a licensed dealer.

Mr. EWING. To a licensed dealer would give us no relief, because this dealer would have to pay the tax to retail it. You see we want to retail it to build up competition.

The ACTING CHAIRMAN. I was asking Secretary Wilson about that matter; and, as I understand it, Mr. Ewing, a licensed dealer pays nothing for his license. He is only required to make a report of what he has bought and sold. Is not that true?

Mr. GAINES. Yes, sir.

Mr. EWING. I thought he paid a nominal sum, something like \$100, or something of that kind, for his license.

The ACTING CHAIRMAN. A licensed dealer? I understand not.

Mr. EWING. I thought so.

The ACTING CHAIRMAN. I understand not.

Mr. GAINES. I can answer that question, Mr. Chairman, if you will indulge me right at that point.

The ACTING CHAIRMAN. Yes, sir.

Mr. GAINES. I went again this morning to see Mr. Yerkes, and he called in Judge Wheeler, who is his counsel—the man who knows the law. I asked him whether the farmer and grower were required to deliver in person. Here is the question I put:

“Mr. Wheeler, must the grower and owner deliver his leaf in person?”

“That is the ruling under the law.”

So, Mr. Ewing, when a farmer can not leave his farm and go and deliver his tobacco, he can not put it in the hands of another man and send it over, can he?

Mr. EWING. No; he can not.

Mr. GAINES. He can not; and that hobbles him at this time. Now, if this 6-cent tax is eliminated, Mr. Chairman, as the report will show you—and that is why we want this law—it will give him the right to put his boy or somebody in a wagon and deliver it. That is the trouble that you are laboring under now, is it not, Mr. Ewing?

Mr. EWING. Yes. This seems not to be understood exactly. I understand that Representative Henry said that that law was not enforced in Connecticut; and in talking to Mr. Yerkes a day or two ago I reminded him of that, and he said: “Oh, well, you might have sold your tobacco.” I said that I understood I could not deliver it through my wife or through my secretary; and he said, “Oh, you might have done that.” “Well, now,” I said, “I went into the revenue department at Nashville; I first went to the United States district attorney, not wanting to get in any trouble, and he referred me to the revenue department, and they told me I could not think of doing it—not to attempt it at all—that I could not do it.” So there seems to be some misunderstanding.

Senator DANIEL. May I ask a question right here?

The ACTING CHAIRMAN. Yes.

Senator DANIEL. Please refer me to the particular language of the existing statute which is alleged to require that a tobacco planter selling his tobacco must do so in his own individual person.

Mr. GAINES. Here is the section. I will read the whole thing. It is the old law as amended by section 69, act of August 28, 1894 (28 Stat., 509), Wilson tariff law:

“Ninth. Every person whose business it is to manufacture tobacco or snuff for himself, or who employs others to manufacture tobacco or snuff, whether such manufacture be by cutting, pressing, grinding, crushing, or rubbing of any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco, or manufactured or partially manufactured tobacco or snuff, or the putting up for use or consumption of scraps, waste, clippings, stems, or deposits of tobacco resulting from any process of handling tobacco, or by the working or preparation of leaf tobacco, tobacco stems, scraps, clippings, or waste, by sifting,

twisting, screwing, or any other process, shall be regarded as a manufacturer of tobacco."

In other words, if you will pardon me, any package not in the natural leaf is technically manufactured.

The ACTING CHAIRMAN. Yes.

Mr. GAINES. Now, then, the next paragraph, same section:

"Every person shall also be regarded as a manufacturer of tobacco whose business it is to sell leaf tobacco in quantities less than a hog-head, case, or bale, or who sells directly to consumers, or to persons other than duly registered dealers in leaf tobacco, or duly registered manufacturers of tobacco, snuff, or cigars, or to persons who purchase in packages for export; and all tobacco so sold by such persons shall be regarded as manufactured tobacco, and such manufactured tobacco shall be put up and prepared by such manufacturer in such packages only as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe: *Provided*, That farmers and growers of tobacco who sell leaf tobacco of their own growth and raising shall not be regarded as manufacturers of tobacco; and so much of section three thousand two hundred and forty-four of the Revised Statutes of the United States, and acts amendatory thereof, as are in conflict with this act are hereby repealed."

That lets the farmer, Mr. Chairman, deliver or sell, untaxed, his growth; and on that section the Department ruled, and has since that law was passed, that it is a personal privilege that the farmer can sell without tax, and that he in person must deliver. It is a ruling of the Department, and this law repeals that ruling, as the report states.

The ACTING CHAIRMAN. Why do you not get that ruling reversed?

Mr. GAINES. I tried to do that, but Mr. Yerkes would not do it.

The ACTING CHAIRMAN. That is an absurd ruling.

Mr. GAINES. Why, of course it is; but he will not do it. I do not say he will not do it, but he feels that it is done to protect the revenues.

Senator DANIEL. But it is not a true construction of the law.

Mr. GAINES. Mr. Ewing, if you will excuse me just a moment, this is a very important matter, and it is one of the great troubles we have to deal with. The bill that we now have before the honorable committee was drawn by Mr. Yerkes, from all the bills pending, as the report here says, and I will read just a few words of it:

"The Committee on Ways and Means, to whom was referred the bills, to wit, H. R. 1971, by Mr. Hopkins; H. R. 3574, by Mr. Trimble; H. R. 4482, by Mr. Gaines, of Tennessee; H. R. 9870, by Mr. Stanley; H. R. 10857, by Mr. Stanley; H. R. 11889, by Mr. Flood, and H. R. 14617, by Mr. Gibson, having had them under consideration, beg leave to report a substitute.

"The purpose of each and all of these bills was to afford relief to tobacco growers. To enact any one of them would necessarily result in reduction of the revenue. Being desirous of furnishing some relief so far as practicable along the lines suggested, without sensibly affecting the revenue, your committee had a bill prepared by the Commissioner of Internal Revenue, and that is the bill which is now reported as a substitute for the bills hereinbefore recited."

The committee then quote Mr. Yerkes, where he says that the bill does not interfere with the management of the Government revenues at all, and answers the various questions that were asked. But I

would not agree to abandon my bill, and the others would not agree to abandon theirs, until we had Mr. Yerkes construe his own bill. And on this point which Senator Daniel is inquiring about I went to him and said: "Mr. Commissioner, you know this is a life-and-death matter to my people. Under this bill you have framed can a farmer put a boy on the wagon, or somebody else, to deliver his tobacco without going in person?" He said: "No." Now, here is his language. I asked him to write a letter to Mr. Dalzell on this point instead of to me, and here is Mr. Yerkes's reply:

"The third question submitted by Mr. Gaines is, Whether, under the amendment (Yerkes bill before you) the farmer can sell his leaf tobacco through an agent or an employee without delivering it in person?

"This office ruled that, under existing laws, this was a personal privilege to the farmer. Under this amendment, however, as the restrictions on persons dealing in leaf tobacco have been so largely removed, there would be no propriety in a ruling being now made limiting the sale or delivery of leaf tobacco of his own growth to the farmer in person.

"This letter has been prepared after the most careful consideration of all the statutes by myself, and I am quite sure that the position taken herein is correct."

That, you see, covers the hobbling of the farmer that I complain about. This removes the requirement that he must in person "deliver" his tobacco, so that he can put anybody in the wagon and deliver it over the hill 5 miles away, as was inquired about by Senator Platt, of Connecticut.

The ACTING CHAIRMAN. To whom?

Mr. GAINES. To anybody.

Senator DANIEL. To anybody. That is the law now, in my opinion.

Mr. GAINES. I think so, too; but it was ruled the other way, and that is the law, Mr. Chairman. I went this morning to ask the question again, and I will read it. I went to Mr. Yerkes, an accomplished lawyer, and accommodating in this matter, and he is with us in it, and asked him the question. Then he called in his lawyer, Judge Wheeler, an expert, and to him I put this question:

"Mr. Wheeler, must the grower and owner deliver his leaf in person?" That is, under this existing law.

"That is the ruling under the law."

That is what he said this morning.

Now, Mr. Chairman, that is all through these hearings before the honorable House Committee on Ways and Means. Mr. Fort complained about it. He said, "Take it off and give me a chance to send my tobacco to the man I sell to, and it will help us." Mr. Cooper, of Kentucky, said the same thing; and a number of others said the same thing.

The ACTING CHAIRMAN. Is that all you want? Is that all this bill does?

Mr. GAINES. That is practically all this bill does; but it goes further, Mr. Chairman. It does this: As the law stands, the farmer can sell to any man in the world free of tax with this hobbling restriction that I am talking about; but there is no other man on top of the United States territory that can sell to the consumer without paying the tax. So that Mr. Landstreet and the tobacco trust want a monopoly of

making every man chew and smoke their tobacco; and the farmer, who is the cornerstone of the tobacco industry of this country, says: "I want to furnish a part of this tobacco, that I can sell but must deliver in person—I want to sell a part of this tobacco myself."

Senator DANIEL. We understand that, Mr. Gaines. The question is, Does this do anything more than that?

Mr. GAINES. Yes, sir.

Senator DANIEL. You are not answering the question that the chairman put to you.

Mr. GAINES. I thought I was answering the question. I will read the report, and let the report answer it, may it please the honorable chairman.

Senator DANIEL. No; but he asked you whether this bill that you propose as an amendment does anything more than make it clear that the farmer may sell his own tobacco to anybody? Is that all it does?

Mr. GAINES. That is the law now, Mr. Senator.

Senator DANIEL. I know it is the law now; but that is not the construction of the law?

Mr. GAINES. No. It makes it perfectly plain that he can sell it to whoever he pleases, which carries the right to deliver as he pleases.

Senator DANIEL. I understand that; you have gotten that well in the head of everybody. We understand that the law now permits the farmer, as construed by the Department, in person only to sell tobacco to anybody. That is, to my mind, an absurd ruling.

Mr. GAINES. Yes, sir.

Senator DANIEL. For reasons that I will show presently. But what Mr. Allison asks you is, Does this law which you propose as an amendment do anything more than make it clear that you did not intend to say that the farmer must in person take his own hands and deliver these things? Is there anything else in this act that you propose?

Mr. GAINES. Yes, sir; anybody can retail it under this Yerkes bill, Mr. Chairman. Anybody can retail the tobacco. It liberates it, like corn and wheat and barley and oats or any other agricultural product, but does not interfere with the revenues. Mr. Yerkes says that in his statement.

Senator DANIEL. Now, wait a moment. Here is your proviso here. The proviso of the pending act is:

"That farmers and growers of tobacco may sell leaf tobacco of their own growth and raising to manufacturers of tobacco, snuff, or cigars without being considered leaf dealers or manufacturers of tobacco and shall not be subject to the sections of the law and amendments thereof above named."

Is that all of this statute?

Mr. GAINES. Here is a proviso at the end.

Senator DANIEL. This is the proviso.

Mr. GAINES. Yes, sir; but there is one at the end, if the Senator will see, at the end of the bill.

Senator DANIEL. That is the proviso that I have just read.

Mr. GAINES. I know; but there is still another.

Senator DANIEL. No; there is not.

Mr. GAINES. Read at the extreme end of the bill, and I think you will see something further.

Senator DANIEL. I am reading at the extreme end of the bill.

Mr. GAINES. Well, there is a proviso in the middle of the bill, then.
Senator DANIEL. What is that?

The ACTING CHAIRMAN (reading):

"Provided further, That any person who sells natural-leaf tobacco to manufacturers of tobacco, snuff, or cigars shall be deemed and considered a dealer in leaf tobacco and become subject to all the provisions, rules, and regulations of subsection six of section thirty-two hundred and forty-four, United States Revised Statutes."

Senator DANIEL. Is that new matter?

Mr. GAINES. I would like to see a copy of the bill.

The ACTING CHAIRMAN. That is in the middle of page 2.

Senator DANIEL. Now, if we can ask one question at a time and get that particular question answered, we will get along faster to an entire comprehension of the matter.

Mr. GAINES. Yes, sir.

Senator DANIEL. I will ask you instead of asking Mr. Ewing, if you prefer me to do it; but I want to get each item of this matter clearly considered by itself, in order to comprehend it.

Mr. GAINES. I think I can answer the Senator. I have the bill before me now.

Senator DANIEL. Very well; you have the bill before you.

Mr. GAINES. The proviso on page 2 of the bill——

Senator DANIEL. I have not asked you anything about that.

The ACTING CHAIRMAN. Just answer his questions as he puts them.

Senator DANIEL. If you will answer one question and not ask another, we will get along faster. We are constantly cross firing as it is, and it does not lead to the elucidation of any particular idea. I ask you, Mr. Gaines, if you please, what are the changes in existing law contemplated by this bill?

Mr. GAINES. It removes a 6-cent tax limitation on leaf tobacco and allows that leaf tobacco to be sold without tax or limitation or restraint in the hands of "any person" whatsoever. As the law now stands only the farmer can do that, in person, and this 6-cent tax produces no revenue.

Senator DANIEL. Please point me out the provision of the bill that accomplishes that purpose.

Mr. GAINES. Page 2, where it says, beginning at *"Provided."* The prefix to that is a hinge, so that it will hinge on the law it does not change, and after that is another hinge that hinges onto the balance of the law that we do not repeal.

Senator DANIEL. Now, then, one at a time.

The ACTING CHAIRMAN. Let me ask you, if you will allow me, Senator: Is this phraseology used between line 10 on page 1 and line 7 on page 2 of the bill a repetition of the existing law?

Mr. GAINES. That is a repetition of the existing law; that is Mr. Yerkes's own "hinge," you might say.

The ACTING CHAIRMAN. Very well. The part which is new begins with the proviso?

Mr. GAINES. In that proviso, which he wrote with his own pen.

The ACTING CHAIRMAN (to Senator Daniel). Excuse me for interrupting you.

Senator DANIEL. That is all right, sir; I am glad you did.

Mr. GAINES. Now, here is the change, gentlemen, which we desire in this bill:

"Provided, That unstemmed tobacco in the natural leaf and not manufactured or altered in any manner shall not be subject to any internal-revenue tax or charge of any kind whatsoever, and it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without payment of tax of any kind," which is not the law to-day.

Mr. EWING. Mr. Chairman, this is, in effect, all that the tobacco planters are asking.

Senator DANIEL. Now I understand you about that.

Mr. GAINES. Yes, sir.

Senator DANIEL. As I understand this first proviso, you wish to make tobacco, in its raw state as a product, the same as any other vegetable or cereal matter?

Mr. GAINES. Exactly.

Senator DANIEL. For the open market?

Mr. GAINES. Exactly.

Senator DANIEL. You want to let it stand its chance?

Mr. GAINES. Exactly.

Senator DANIEL. With persons who propose to handle it and manufacture it, just like any other product of the farmer?

Mr. GAINES. Just exactly; and that is what Mr. Yerkes says.

The ACTING CHAIRMAN. That is, anybody can sell it to anybody.

Senator DANIEL. Anybody can sell it to anybody, as long as it is a pure vegetable and nothing more.

Mr. GAINES. Anybody can sell it to anybody, and then anybody can keep on selling it ad infinitum, or they can stop and chew it.

Senator BATE. While it is in the leaf?

Mr. GAINES. While it is in the leaf.

Mr. EWING. That is all we are asking for.

Senator DANIEL. Very well; now I understand that.

The ACTING CHAIRMAN. That you want; and that is not the law now?

Mr. GAINES. No, sir.

The ACTING CHAIRMAN. Now, wait a moment before you go away from that part of the matter. The law now is, in brief, that this tobacco in its natural state must be sold to a dealer; is it not?

Mr. GAINES. It can be sold, Senator, to a dealer.

The ACTING CHAIRMAN. No; I mean the law now.

Mr. GAINES. Yes; that the farmer can sell it to anybody free of tax, but he must deliver it in person.

The ACTING CHAIRMAN. The farmer can now sell it to anybody?

Mr. GAINES. Yes, sir.

Senator DANIEL. In his own person?

Mr. GAINES. In his own person, providing he delivers it with his own hands, his own physical body.

The ACTING CHAIRMAN. Yes; I understand. But unless he is a farmer, he must sell it to a licensed dealer?

Mr. GAINES. And pay a tax, if he sells it to a consumer; but that second person can sell to another legalized dealer, to another legalized manufacturer, or to an exporter without tax.

The ACTING CHAIRMAN. Very well; now I understand that.

Mr. GAINES. Now, then, Mr. Chairman, let me tell you right on that point of another brutal—

Senator DANIEL. One minute, now; do not let us get away from one point until we decide that.

Mr. GAINES. All right.

Senator DANIEL. As the law now stands, as I comprehend your statement of it, first a farmer may sell his leaf tobacco to anybody, but the Department construes that that sale must be made by him in his own proper person; second, anybody else who has bought the tobacco from a farmer in person may sell the tobacco so bought to a tobacco dealer or manufacturer or exporter without any tax on the tobacco?

Mr. GAINES. Yes, sir.

Senator DANIEL. But he can not sell it in open market to anybody who may choose to buy it?

Mr. GAINES. Yes, sir; he can sell it in open market; but he can sell it to three men only—three classes.

Senator DANIEL. That is not the question. Suppose he puts it in open market. Can he not let anybody buy it?

Mr. GAINES. Oh, anybody can buy it; yes.

Senator DANIEL. Can he not sell it after he has bought it?

Mr. GAINES. Yes, sir.

Senator DANIEL. Then he can sell it in open market to anybody?

Mr. GAINES. No, sir; no. Senator, if you will pardon me, that second man—that purchaser—can not sell to a consumer without paying a 6-cent tax. He can sell to a dealer, to a manufacturer, or an exporter, in open market, without tax.

Senator DANIEL. All right.

Mr. GAINES. In other words, the tobacco we use, gentlemen of the committee, is made by the manufacturers and sold to the consumers, and we, the growers, want to have some share in the market.

Senator DANIEL. I understand that. I am just getting your statement of law now.

Mr. GAINES. Yes. Now, Senator, if you will indulge me, I will read from Mr. Yerkes's—

Senator DANIEL. Let us get one thing at a time. We will take Mr. Yerkes up as a separate subject. We want to get, now, a continuity of this matter.

Mr. GAINES. All right.

Senator DANIEL. So that the mind can comprehend with precision what we are dealing with.

The ACTING CHAIRMAN. That deals with the first proviso, does it?

Senator DANIEL. That deals with the first proviso?

Mr. GAINES. Yes, sir.

Senator DANIEL. I observe in this bill a second proviso, line 13 to line 19, page 2, to wit:

"That any person who sells natural leaf tobacco to manufacturers of tobacco, snuff, or cigars shall be deemed and considered a dealer in leaf tobacco and become subject to all the provisions, rules, and regulations of subsection 6 of section 3244, United States Revised Statutes," etc., running down to line 3, page 3. That is, as I understand, a mere repetition of existing law?

Mr. GAINES. Yes, sir; and it makes it perfectly clear that the farmer is not taken in in the second proviso, as I understand it.

Senator DANIEL. That is a mere repetition of existing law?

Mr. GAINES. A mere hinge.

Mr. EWING. That is the license, though, Senator. That is not the 6 cents per pound tax.

The ACTING CHAIRMAN. No; that is the license.

Mr. EWING. That is the license.

The ACTING CHAIRMAN. That is the law, and you do not change it?

Mr. EWING. No, sir.

Senator DANIEL. No; that is not the 6 cents a pound. The first proviso, as I understand, concerns the revenue tax of 6 cents, and the second proviso concerns the matter of license?

Mr. GAINES. Yes, sir; and protecting the Government, because you are going to enact the first proviso.

Senator DANIEL. Yes.

Mr. GAINES. That is all.

Senator DANIEL. The third proviso of this act, beginning at line 3 and running through to line 8, is as follows:

"That farmers and growers of tobacco may sell leaf tobacco of their own growth and raising to manufacturers of tobacco, snuff, or cigars without being considered leaf dealers or manufacturers of tobacco, and shall not be subject to the sections of the law and amendments thereof above named."

The ACTING CHAIRMAN. I suppose that means the law provided for in the second proviso?

Senator DANIEL. Yes. As I understand this section, the unstemmed tobacco is first made nonliable to revenue tax.

Mr. GAINES. In the hands of any person.

Senator DANIEL. In the hands of any person?

Mr. GAINES. Yes, sir.

Senator DANIEL. And by this section the farmers and growers of tobacco are not made liable for license tax when they sell tobacco of their own growth and raising to manufacturers of tobacco, snuff, or cigars?

Mr. GAINES. Yes, sir.

Senator DANIEL. Leaving the tax on tobaccos that are stemmed before sale, and requiring a license of all other persons who sell natural leaf tobacco to manufacturers of tobacco, snuff, or cigars?

Mr. EWING. Yes, sir.

Senator DANIEL. Is that the true interpretation? I think it is.

The ACTING CHAIRMAN. That is, I think, the true interpretation, except, as I understand, this first proviso does not change existing law until you get down to the word "whatsoever," in line 10, which is the real hub of it: "And it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without payment of tax of any kind." That is what is not in the law now.

Mr. GAINES. Exactly so.

Mr. EWING. And that is all we are asking for.

The ACTING CHAIRMAN. Because unstemmed tobacco in the natural leaf, and not manufactured or altered in any manner, is not subject now to any internal-revenue tax or charge, as I understand it.

Mr. GAINES. Shall I answer that question?

The ACTING CHAIRMAN. Yes; is not that true?

Mr. GAINES. Yes, sir.

The ACTING CHAIRMAN. Except that if it is sold by a dealer to another dealer then it is considered manufactured tobacco?

Mr. GAINES. Yes, sir.

The ACTING CHAIRMAN. That is, unless it is sold.

Mr. GAINES. The chairman is anticipating the question that I intended a few moments ago to call to Senator Daniel's attention; and that is this, Senator—which I call another brutal imposition: I am the grower, and I sell to Senator Daniel, the middleman; and if he sells to the consumer the natural leaf, although it has not changed a particle, it is "manufactured tobacco" technically, and he has to pay a tax, even if it is not changed in the least.

The ACTING CHAIRMAN. Yes; I understand.

Mr. GAINES. Suppose I take up a sheet of paper here, and I send it to Senator Daniel as leaf tobacco, and he sells it to Mr. Ewing, a consumer—then it is manufactured tobacco under the law.

The ACTING CHAIRMAN. That is the intention?

Mr. GAINES. That is the law.

The ACTING CHAIRMAN. Very well; the intention of that law was, of course, to keep run of the tobacco, so that it would not be manufactured clandestinely?

Mr. GAINES. Yes, sir.

The ACTING CHAIRMAN. That was regarded as a safeguard to the revenue; that was all?

Mr. GAINES. Yes, sir; yes, sir.

The ACTING CHAIRMAN. That, of course, you eliminate?

Mr. GAINES. Oh, yes; by this Yerkes bill.

The ACTING CHAIRMAN. By the first proviso?

Mr. GAINES. And that is the McKinley Act. The trouble you speak about is the act of 1894, repealing the McKinley Act, that did not have it that way. Now, we ask you to give us back the McKinley Act on that point.

The ACTING CHAIRMAN. Now, I think we understand you. So you do want a good deal more than——

Senator DANIEL. Yes; he wants a good deal more than that last part; but I am in favor of giving it all. I live down in a tobacco country.

The ACTING CHAIRMAN. I do not know whether I am or not.

Senator DANIEL. Of course you will have to consider it very carefully; and I might modify my opinion, because I am not an expert about this.

Mr. EWING. I would like to say this, Mr. Chairman: Of the three very large buying corporations in my section of the country, one of them buys only at the barn—that is, the Italian concern—only in the country. They will not look at the tobacco on the warehouse floor. Of the two others, the American Tobacco Company and the Imperial, the most optimistic man among the planters fails to see any real indication of competition.

Senator DANIEL. I have seen the time when there were sixty-odd tobacco factories in my town. There are only three of them now, and I do not know one of them.

The ACTING CHAIRMAN. Mr. Gaines, you say that what you do here is a restoration of the act of 1890?

Mr. GAINES. Yes, sir; the McKinley Act.

The ACTING CHAIRMAN. Have you put in your brief anywhere a citation of the McKinley Act?

Mr. GAINES. Mr. Yerkes furnished me a letter showing that. It is all through the House hearings, Mr. Chairman.

The ACTING CHAIRMAN. Yes; but I have not seen the House hearings.

Mr. GAINES. I will give you a copy of them, Senator.

The ACTING CHAIRMAN. I want to have a copy of them.

Mr. GAINES. For instance, here is Mr. Warfield, one of the best tobacco men in our State. Here is where it starts in, on page 40 of this hearing; and Mr. Yerkes bears me out in it (reading):

"Mr. STANLEY. You mean that there was not this restriction on the handling of the natural leaf?

"Mr. WARFIELD. Certainly.

"Mr. GAINES. That was repealed.

"Mr. WARFIELD. It was repealed in 1894.

"Mr. GAINES. We are trying to get rid of that now.

"Mr. WARFIELD. Now, we want that law right back.

"Mr. GAINES. I understand that you want it reenacted, and——

"Mr. STANLEY. We want to get rid of the restriction.

"Mr. WARFIELD. That is right."

The ACTING CHAIRMAN. Mr. Gaines, of course we can look up these statutes; but what I think we want is, in compact form, the phraseology of the law of 1890, which was changed by the law of 1894.

Mr. GAINES. I have already read the act of 1894, amending the act of 1890.

The ACTING CHAIRMAN. I understand you have.

Mr. GAINES. And the only change, Senator, is that the law of 1894 says that when Gaines, the grower, sells to Smith, the buyer, and that buyer tries to sell to the consumer, the natural leaf ceases to be natural leaf, and becomes, technically, manufactured tobacco and taxable.

The ACTING CHAIRMAN. Yes. Now, you say that.

Mr. GAINES. That is the law. That is the change.

The ACTING CHAIRMAN. I know you say that; but if I were going into the Senate defending this bill and could quote the law of 1890, showing that we are reproducing it, I would be able to do something. I do not see that law here.

Mr. GAINES. You shall have it, Senator.

The ACTING CHAIRMAN. That is what I am trying to get at. I want to see that law.

Mr. GAINES. You shall have it inside of twenty-four hours, Senator.

The ACTING CHAIRMAN. Is there anything else that you want to say?

Mr. EWING. Not unless you want to ask some questions of me, gentlemen.

Senator DANIEL. Mr. Ewing, we have interrupted you a good deal.

The ACTING CHAIRMAN. I see what Mr. Ewing wants, and I see now what you want. [To Senator Daniel.] We understand now what they want, I think.

Senator DANIEL. I think so.

Mr. GAINES. Indulge me a moment, Senator. You will remember that Mr. Landstreet spoke to you of the revenues on tobacco being reduced under the McKinley Act, and therefore he did not want that act restored. The McKinley Act reduced the tax on manufactured tobacco and snuff from 8 to 6 cents, which lessened the revenues

under the McKinley Act, about which the Internal Revenue Commissioner, page 21, in his report of 1892, says:

"The decrease of collections for the last fiscal year, as compared with those for the previous fiscal year, was \$1,795,777.90. This is due to the reduction by the act of October 1, 1890 (McKinley), of the tax on snuff, chewing and smoking tobacco, January 1, 1891, from 8 to 6 cents per pound, and to the repeal of special taxes relating to tobacco, May 1, 1891."

I have a table here, prepared by Mr. O. P. Austin, our official statistician, showing the revenue under both laws—McKinley and Wilson acts—and I ask that it may be printed.

The ACTING CHAIRMAN. Yes; that can go in as part of your remarks.

(The paper referred to is as follows:)

Internal-revenue receipts on tobacco.

1886 (fiscal year).....	\$27, 907, 363
1887 (fiscal year).....	30, 108, 067
1888 (fiscal year).....	30, 662, 432
1889 (fiscal year).....	31, 866, 860
1890 (fiscal year).....	33, 958, 991

M'KINLEY.

1891 (fiscal year).....	32, 796, 271
July.....	2, 686, 413
August.....	2, 671, 203
September.....	2, 714, 534
October.....	2, 749, 699
November.....	2, 448, 423
December.....	2, 361, 581
1892:	
January.....	2, 332, 546
February.....	2, 542, 470
March.....	2, 632, 942
April.....	2, 553, 487
May.....	2, 626, 684
June.....	2, 649, 513
Total (fiscal year).....	31, 000, 494
July.....	2, 615, 352
August.....	2, 933, 300
September.....	3, 007, 330
October.....	2, 918, 739
November.....	2, 581, 084
December.....	2, 664, 322
1893:	
January.....	2, 499, 459
February.....	2, 504, 317
March.....	2, 626, 878
April.....	2, 392, 407
May.....	2, 585, 700
June.....	2, 560, 824
Total (fiscal year).....	31, 889, 712
July.....	2, 213, 087
August.....	2, 156, 007
September.....	2, 358, 005
October.....	2, 670, 321
November.....	2, 486, 255
December.....	2, 080, 308

1894:		
January.....	\$2, 468, 167	
February.....	2, 232, 592	
March.....	2, 489, 949	
April.....	2, 430, 552	
May.....	2, 496, 338	
June.....	2, 536, 318	
Total (fiscal year).....	<u>28, 617, 899</u>	
July.....	2, 397, 529	
August.....	2, 627, 016	

WILSON.

September.....	2, 590, 402	
October.....	2, 762, 499	
November.....	2, 510, 878	
December.....	2, 269, 328	
1895:		
January.....	2, 491, 298	
February.....	2, 112, 794	
March.....	2, 344, 585	
April.....	2, 472, 660	
May.....	2, 636, 096	
June.....	2, 489, 825	
Total (fiscal year).....	<u>29, 704, 910</u>	
1896 (fiscal year).....	30, 711, 629	
1897 (fiscal year).....	30, 710, 191	

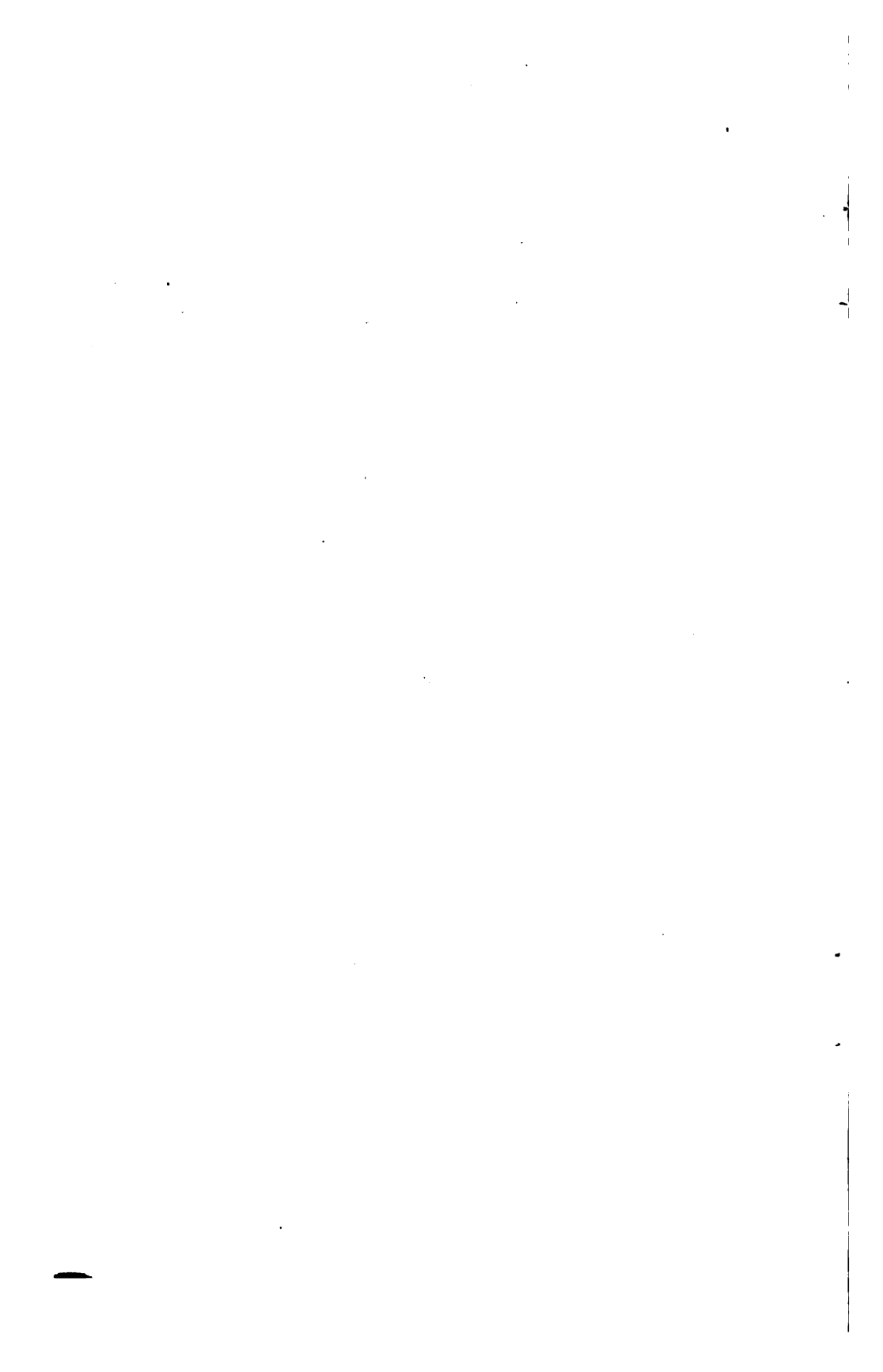
DINGLEY.

1898 (fiscal year).....	36, 230, 522	
1899 (fiscal year).....	52, 484, 114	
1900 (fiscal year).....	59, 355, 035	
1901 (fiscal year).....	62, 481, 907	
1902 (fiscal year).....	51, 937, 925	
1903 (fiscal year).....	43, 514, 810	
1904 (fiscal year).....	44, 655, 802	

The above figures are preliminary, as a rule.

(Mr. Gaines was thereupon requested by Senator Daniel to prepare, in compact form, a statement detailing his position on the pending bill and giving citations of the various laws referred to.)

The Committee thereupon adjourned.



**HEARINGS BEFORE THE SUBCOMMITTEE OF THE COMMITTEE
ON FINANCE, UNITED STATES SENATE, ON H. R. 14972, FOR
THE RELIEF OF TOBACCO GROWERS.**

WASHINGTON, D. C.,
Thursday, June 14, 1906.

The subcommittee met at 10.30 o'clock a. m., Hon. Nelson W. Aldrich in the chair.

Present: Senators Aldrich (chairman), Daniel, and Bailey.

Present, also, Hon. John Wesley Gaines, Representative from Tennessee; John Landstreet, esq.; H. A. Allen, jr., esq.; and R. J. Hancock, esq.

STATEMENT OF JOHN LANDSTREET, ESQ., OF RICHMOND, VA.

The CHAIRMAN. Mr. Landstreet, when you appeared here last year you were the president of the Independent Tobacco Manufacturers' Association. Are you still the president of that association?

Mr. LANDSTREET. No, sir; I am no longer its president.

The internal-revenue laws of the United States at present, Mr. Chairman, provide for a tax of 6 cents a pound on all manufactured tobacco. There is no tax imposed on the occupation of manufacturing tobacco or dealing in leaf tobacco, but manufacturers and dealers have to register in order to be subject to the supervision of the Internal-Revenue Department, and the statutes of the United States and the regulations of the Internal-Revenue Department are quite full of requirements intended to certainly secure to the Government from the manufacturer a tax equal to 6 cents a pound on all tobacco manufactured by him. Any person (except farmers) who sells directly to consumers or to any person other than a duly registered dealer or a duly registered manufacturer is himself deemed a manufacturer and can not sell tobacco without stamps that show the payment of the tax of 6 cents a pound. The farmer himself can sell to anyone tobacco produced on his own farm.

It is proposed to change the law so that tobacco in the natural leaf, not treated with the processes of manufacture, shall not be subject to the tax of 6 cents a pound or any other internal-revenue tax, and that any person can buy and sell such leaf tobacco without the payment of any tax at all. Under the proposed law leaf dealers who sell to manufacturers have to be licensed and have to be subject to the supervision, control, and inspection of the Internal-Revenue Department in order that the department may have a check on the amount of the tobacco that enters into the plant of the manufacturer, but such leaf dealers are required to pay no tax. The dealers, however, who buy

from farmers or from other dealers for the purpose of selling to consumers, or to retailers who will in turn sell to consumers, are to be required to take no license, pay no tax, and in no way subject to the supervision, control, or inspection of the Internal-Revenue Department.

In other words, I, as a farmer, can sell my tobacco to any man I please who is not a registered dealer. He need never register; he is subjected to no cost, and he can sell that tobacco to whomsoever he pleases, subdivide it and sell it in any way he wishes, or sell it to a manufacturer or anybody else; but the law says he must report it provided he sells it to a manufacturer.

The CHAIRMAN. In other words, the Government has no supervision over the sales?

MR. LANDSTREET. None whatever. They lose all supervision of that quality of tobacco.

If this were an absolutely new proposition and there were no experience to indicate what the effect of such legislation is, the proposition would still be open to serious objections. Opinions may differ as to the extent of the effect of such a change of law, but there can be no dissent from the conclusion that, however so extensive the effect is, the necessary direction of the legislation is to deprive the Government of revenue, subject manufacturers who pay such revenue to a competition that it is impossible for them to meet, displace laborers engaged in the manufacture of tobacco, and demoralize generally the business of manufacturing tobacco, which business must, after all, always constitute the substantial output of the farmers' crops of tobacco.

All of these tendencies are certainly undesirable, but it is asserted or assumed by those favoring the bill that it is better to suffer these undesirable tendencies in order to give relief to tobacco farmers; that there will not be a substantial loss of revenue, or a substantial competition with manufacturers who pay such revenue, or a substantial injury to the laborer that is engaged in the manufacture of tobacco, or substantial demoralization of the business of manufacturing tobacco and dealing in manufactured tobacco—that all of these things will be “comparatively small.” If these things are not substantial, but are comparatively small, it is perfectly evident that any assumed or temporary benefit to the farmer from such legislation will be also unsubstantial. If there is one method or excuse for legislation more to be condemned than any other, it is that that is involved in the argument that proposed legislation, otherwise vicious, is wise because the relief that it pretends to give will, in fact and practice, turn out unsubstantial and illusive. The tobacco farmers are not unintelligent, and whatever clamors or complaints they may make (if they are in fact making any) are not going to be ended by legislation that only promises relief and brings none.

Leaf tobacco is, in a sense, only the raw material out of which the various types of manufactured tobacco are made. It is not raw material, though, in the sense that grain is the raw material of flour, meal, or whisky, or that pig iron and steel are the raw materials of machinery and agricultural implements. Leaf tobacco is rather by far the largest and most important constituent in all forms of manufactured tobacco. The processes of the manufacturer merely involve the selection and blending of various types of tobacco, the addition of flavoring material, and material intended to make permanent such flavoring material and granulation or other method of putting the

tobacco into convenient form. Leaf tobacco itself can be substituted by the user for any form of manufactured tobacco. While the leaves are damp and pliable he can twist them and make tobacco that is good for chewing, and when the leaves are dry he can, by breaking them up, bring them into a condition sufficiently granulated to enable them to be smoked with comfort and convenience.

There is a possibility, then, that the purchase and use by consumers of tobacco of unmanufactured leaf would, with a differential in favor of such leaf of 6 cents a pound, become considerable. It is not by any means clear that even if it did do so it would enhance the price to the farmer for his tobacco. But it would seem, in concluding whether to favor or oppose the proposed legislation, that the careful legislator must put to himself seriously the question, Is it a desirable thing that a substantial amount of the manufactured tobacco now consumed in this country should be displaced by leaf tobacco, sold to the consumers through the ordinary avenues of trade, including wholesalers and retailers, which tobacco pays no tax at all and gives no employment to labor except to labor on the farms?

As stated in the letter of the Commissioner of Internal Revenue attached to the report of the Ways and Means Committee of the House, it is perfectly evident that to the extent leaf tobacco displaces manufactured tobacco, whether for chewing or smoking, the revenue will be decreased, as in this way tobacco paying no tax will displace tobacco paying a tax of 6 cents a pound. During the fiscal year that ended June 1, 1905, the revenue collected from manufactured tobacco (excluding that collected from cigars and cigarettes) amounted to more than \$20,000,000. It is a substantial item, therefore, that it is proposed to tamper with. Tobacco is a luxury, and it is proper that it should pay a substantial amount of revenue. In one form or another most, if not all, countries levy a tax upon it. The present rate of tax is not burdensome to the consumer. It would seem unwise from this standpoint alone to foster the consumption of this luxury without the requirement that the consumer thereof pay this very just and substantial revenue.

There has been constantly recurring for many years agitation in favor of free raw material to foster and encourage our manufacturing interests. It has been taken for granted to be wise to foster our manufacturing interests in all possible ways. People are thus employed, and our manufacturers selling their product abroad brings money into the country. This proposed legislation reverses this tendency, which has been heretofore thought desirable. It is likely a conservative estimate to say that three-fourths of a million people are engaged in the manufacture of tobacco and in marketing such manufactured tobacco. It is proposed to seriously jeopardize their employment or to diminish the wages that will be paid them.

Worse than the result that can come to the revenue, though, and worse than the result that will come immediately and directly to laborers and other employees in tobacco factories, would be the general demoralization to the business of tobacco manufacturers. It takes very little of favored competition to demoralize business that remains of considerable volume, and that but for such competition would be prosperous. The manufacturer of some well-established and profitable brand of tobacco would find a percentage of his trade lost to him because of the inducements which retail dealers in leaf tobacco would

be able to offer with their differential of 6 cents per pound; his fixed charges would remain the same, and the loss of this comparatively small part of his business would change his venture from a profitable one to one that is unprofitable.

Being induced to cut his expenses somewhere in order to eke out a living, he must cut the price of his labor and cut the price that he is willing to pay for his raw material leaf tobacco. Dealers in the untaxed leaf tobacco would compete with each other for the trade and would buy their leaf where they could buy it cheapest, and farmers would thereby be brought into competition with each other on the matter of price charged. In the meantime consumption, now continually on the increase, and stimulated by the extensive advertising and constant solicitation of the trade by tobacco manufacturers, would dwindle, and in a few years the farmer, if he has the relief the proposed legislation is presumed to be, would find himself the victim of the zeal of his friends and unable to realize so high a price or market so large a crop as at present.

That these would, or might, be the results of the proposed legislation seems to me would be evident, even if we had no experience to guide us, but there is such experience. In October, 1890, a law was passed, being section 26 of the internal-revenue and tariff law passed at that time, by the terms of which farmers and others might deal in unmanufactured leaf tobacco without the payment of a tax. This law was passed not in obedience to any general demand and not as the result of any considerable agitation. Its effects were comparatively slow in being observed. But these effects had become so considerable that the then Commissioner of Internal Revenue, in his report for the fiscal year ending June 30, 1893, page 25, said:

The decrease in the amount collected from chewing and smoking tobacco is believed to be due to the large increase of sales of leaf tobacco to consumers, both by farmers and retail dealers in leaf tobacco.

The law of 1890 was in one respect better than this proposed legislation; it did require the registration and the keeping of records by all leaf dealers, whereas the present proposed legislation does not require any registration and provides for no Government inspection of any leaf dealers except those who sell (and admit they sell) to manufacturers. So considerable did the business become under this free leaf bill of 1890 that whereas in 1891, the year after it was passed, only three retail dealers registered, in January, 1894, there were, according to the statements officially made by protesting manufacturers, many thousands.

Senator DANIEL. Only three leaf dealers registered where?

Mr. LANDSTREET. Only three leaf dealers in the United States registered to become handlers of this leaf tobacco without tax. They were all, at that time, required to register.

Senator DANIEL. Yes; I see.

Mr. LANDSTREET. Under this proposed law they do not register. In January, 1894, there were, according to the statements officially made by protesting manufacturers, many thousands.

The CHAIRMAN. The repeal was contained in the Wilson tariff?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. There were many thousand retail dealers at that time?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. They had increased under the old law, then?

The CHAIRMAN. Oh, no; under the law of 1890, which gave free leaf tobacco, you know.

Mr. LANDSTREET. Yes, sir; twelve months after the law was enacted there were only three who had qualified.

The CHAIRMAN. Twelve months afterwards?

Mr. LANDSTREET. Yes, sir; but four years afterwards there were many thousands.

Here is a sample, Senator, of a postal card that was sent out at that time by a leaf dealer. This fellow may have seen a field of tobacco, but he is certainly not a farmer. He says:

Carsey-McEwen Tobacco Company: Are you handling leaf tobacco? Do you know it pays from 50 to 100 per cent?

That beats the manufacturer's profits.

Try 100 pounds and be convinced of its ready sale. Tobacco put up in pound bundles, with 20-inch paper band. Our brands.

It goes on to give the price of a number of brands here, and the prices asked for them reach all the way from 8½ to 13 cents.

The CHAIRMAN. The tax was then 6 cents?

Mr. LANDSTREET. There was no tax.

The CHAIRMAN. I mean the tax on manufactured tobacco.

Mr. LANDSTREET. At that time the tax was 6 cents. At any rate, he sells his lowest grade at 8½ cents. Now, he says:

With all orders we will give a Government book in which to keep the record.

You do not have to do that any more.

Tobacco guaranteed sweet and sound. Give us a trial order. Jackson, Matthews & Harris, wholesale grocers, Nashville, Tenn.

So injurious and demoralizing did the free-leaf bill of 1890 (less objectionable though it was than the proposed legislation) become that early in 1894 there was a vigorous protest to Congress, joined in by substantially every tobacco manufacturer in the United States. The protest was addressed to the Committee on Finance of the Senate. It showed the loss of revenue to the Government, called attention to the opportunities for fraud on the revenue even under that law, and contained this very apt sentence:

It is not supposable that Congress designed to tax labor when employed by others. As the law stands now it does. This is plainly an injustice to the rest of the people of the United States who pay taxes and to the manufacturers of tobacco, and may be class legislation and unequal taxation.

Congress heeded the protest, and in 1894 the law was in this respect enacted as it now stands.

It appears that in 1893 and 1894 this traffic in free leaf tobacco had become very considerable, aggregation perhaps 15,000,000 pounds.

That does not necessarily mean that the Government lost the revenue on 15,000,000 pounds of tobacco, because the manufacturer of tobacco takes the stem out, on which he does not pay a revenue. That will average about 20 per cent, I should say.

The CHAIRMAN. That would leave probably 12,000,000 pounds?

Mr. LANDSTREET. In that neighborhood—ten or twelve millions of pounds. But it does not appear that it had been of any benefit to the

farmers, and it does not appear that they showed the slightest interest in the proposed or actual change of the law. The fact is that tobacco then could be bought at 50 per cent of the price ruling to-day.

Senator DANIEL. That was during the panic, was it not?

Mr. LANDSTREET. Just before the panic, sir—yes; during the panic.

Senator DANIEL. It was right in the midst of the panic.

Mr. LANDSTREET. Yes, sir. I had overlooked that fact, sir.

Senator DANIEL. Everything was low then, all over Europe and America.

Mr. LANDSTREET. As I said before, postal cards and circular letters can now be produced advertising free leaf tobacco sent to their trade generally by wholesale grocers, "Tobacco put up in pound bundles with 20-inch paper band," and the tobaccos actually had brands and trade-marks as manufactured tobacco might—Old Kentucky Home-spun, Country Cousin, etc.

It is respectfully suggested that the opinion of the Commissioner of Internal Revenue at that time that there was a substantial reduction of revenue on account of the dealing in free leaf tobacco, he being thoroughly acquainted with existing conditions, and, speaking with respect to the present, is more likely to be correct than the opinion of anyone, even the Commissioner of Internal Revenue, as to the future that the loss of revenue would be comparatively small.

The CHAIRMAN. Who was Commissioner of Internal Revenue then?

Mr. LANDSTREET. Mr. Wilson, was it not?

The CHAIRMAN. No; I think Mr. Miller. That was in Cleveland's second Administration.

Senator BAILEY. Miller, of West Virginia?

The CHAIRMAN. I think so, and I suppose Carlisle was Secretary of the Treasury. It was a Democratic Administration, and this action was taken upon their recommendation?

Mr. LANDSTREET. Yes, sir.

The CHAIRMAN. That is, the law was repealed upon their recommendation?

Mr. LANDSTREET. Yes, sir.

It is respectfully suggested, too, that the views of practical tobacco men at the time expressed—that the law, as it then stood, made possible frauds on the revenue—are likely to be correct. If that law made possible frauds upon the revenue, much more does the present proposed legislation, for the present proposed legislation provides for no registration and no revenue inspection of the affairs of any wholesale or retail dealer in leaf tobacco unless he sells to manufacturers. Of course, about the only way for internal-revenue authorities to know that such dealer does sell to manufacturers is from the statement of the dealer himself. Of course, too, if a dealer and manufacturer are in collusion, both intending that tobacco shall be furnished to the manufacturer, which he may turn out without paying tax upon it, neither the manufacturer nor the dealer would disclose to the authorities the fact, and the only fact, that would bring such dealer under the inspection and jurisdiction of the internal-revenue laws.

I would not have bothered the committee with this statement, Mr. Chairman, if I had known that the other statement I made had been published. But at the time that statement was made it was more in the nature of cross-examination than anything else, and unexpected on my part.

I am very much obliged to the committee.

Senator DANIEL. Mr. Landstreet, you say you are very much in favor of free raw materials?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. What free raw materials do you use in your manufacture?

Mr. LANDSTREET. No free raw materials, sir. We use raw materials, but no free ones.

Senator DANIEL. I mean raw materials. What raw materials do you use?

Mr. LANDSTREET. We use licorice, both Spanish and French, on which there is a duty of 4 cents a pound.

The CHAIRMAN. Sugar, too?

Mr. LANDSTREET. Oh, yes; we use a large quantity of sugar, of course; and we use various articles that each manufacturer is supposed to use and that no other manufacturer knows about.

Senator DANIEL. You can tell us the general raw materials. I did not wish to go into your business secrets. You say you use licorice and sugar?

Mr. LANDSTREET. Licorice and sugar.

Senator DANIEL. Some spirits, do you not?

Mr. LANDSTREET. We use rum.

Senator DANIEL. And tobacco?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. Your tobacco is a raw material, is it not?

Mr. LANDSTREET. We so construe it; yes, sir.

Senator DANIEL. And you are in favor of taxing that raw material to the farmer who sells it?

Mr. LANDSTREET. I am not in favor of taxing that any more to him than to anyone else, sir.

The CHAIRMAN. They pay a tax.

Senator DANIEL. But you manufacture with licorice and sugar and rum and other things, and then tax your manufactured product?

Mr. LANDSTREET. But we pay that tax to the Government, sir.

Senator DANIEL. I understand you do; but that is on the manufactured product.

Mr. LANDSTREET. Yes, sir; and we also have to pay that tax of 6 cents a pound on licorice and sugar in addition to the revenue tax—the customs tax.

The CHAIRMAN. I understand that you have to pay an internal-revenue tax of 6 cents on your manufactured product?

Mr. LANDSTREET. Which is sugar and licorice and tobacco.

Senator DANIEL. Which is sugar and licorice and the other ingredients?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. And tobacco?

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. You have nothing to pay on the purchase of your tobacco?

Mr. LANDSTREET. No, sir; neither has anyone else, of course.

Senator DANIEL. If you pay nothing on the purchase, you want to tax the farmer on the sale of it?

Mr. LANDSTREET. I do not, sir.

Senator DANIEL. If he sells it himself?

Mr. LANDSTREET. I do not, sir; he can sell it himself to-day.

Senator DANIEL. But he can not sell it according to the——

Mr. LANDSTREET. He can sell it to anybody in the world he wants to.

The CHAIRMAN. He can not sell it in a manufactured or semimanufactured state.

Mr. LANDSTREET. He can sell it to anyone else he wants to to-day.

Senator DANIEL. He does not manufacture it; he grinds or crushes or ties it up.

Mr. LANDSTREET. He ties it up, sir.

Senator DANIEL. I say he ties it up or puts it into a bundle, or something like that. A man ties up a shock of wheat, but it is not manufactured by tying it up. He manipulates it. It is not a manufacture. There is nothing more put in it.

The CHAIRMAN. He can do that now without a tax; he can tie it up and sell it to anybody he pleases in the world.

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. The language of the bill is, "Whether by cutting, pressing, grinding, crushing, or rubbing of any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco." That is what you call manufacturing.

The CHAIRMAN. Yes; "or otherwise preparing."

Senator DANIEL. But what do you mean by "preparing?" He does not put any ingredients to it. It is nothing but tobacco.

The CHAIRMAN. That is what these people want. They want to put in other ingredients with it.

Senator DANIEL. If a man sells water he has to put it in a bottle. If a man sells any material he has to manipulate it, to handle it; but there is no manufacture here except by a figure of speech.

Mr. LANDSTREET. If he sells tobacco he puts it in a hogshead; his tobacco usually goes in a hogshead.

Senator DANIEL. So a man puts spring water in a bottle, but of course he is not manufacturing the water that he puts in a bottle, and he is not manufacturing the tobacco, because he grows the tobacco. He sells it just as it is grown. Of course he is obliged to put it in some shape to sell.

Mr. LANDSTREET. Senator, you of course understand, from being a Virginian, that the tobacco grower to-day is the only man in America, or in the world, who can buy and sell tobacco without a license.

Senator DANIEL. Well, he buys the crude tobacco; he buys the crude material.

Mr. LANDSTREET. He can not buy it; he can sell it. I am referring now to the farmer, of course.

Senator DANIEL. If he buys or sells the unmanufactured stuff——

Senator BAILEY. There is no tax on anybody buying it, is there?

Mr. LANDSTREET. No, sir; or selling it, unless he manufactures it.

The CHAIRMAN. There is no tax on the selling unless he wholly or partially manufactures it.

Senator DANIEL. Unless he cuts, presses, grinds, crushes, or rubs off some of it.

Mr. LANDSTREET. Yes, sir.

Senator DANIEL. If he picks a chicken, would you call that a manufactured chicken?

The CHAIRMAN. You would call it a dressed chicken; and if there was a tax on dressed chickens and a man dressed a chicken he would have to pay the tax on it, and ought to.

Senator DANIEL. But if a man rubs the dirt off of an apple which it gets from falling on the ground, he is not manufacturing the apple. There is really no manufacture about it. It is just a manipulation; a handling.

The CHAIRMAN. That is pretty much the whole controversy.

Senator DANIEL. That manipulation is done by hand. He does not put in something else. You have a compost or product in manufactured tobacco. You call it manufactured tobacco by a perversion of words.

Mr. LANDSTREET. There is a large quantity of natural tobacco made by manufacturers now in a twist, just as the farmer twists his tobacco, and large quantities of it are sold to-day.

The CHAIRMAN. On which you pay a tax?

Mr. LANDSTREET. Yes, sir. The States of Indiana, southern Illinois, and Ohio use it very largely.

Senator DANIEL. You have nothing to add to your former testimony, Mr. Landstreet?

Mr. LANDSTREET. No, sir; except what I have stated this morning.

STATEMENT OF H. A. ALLEN, JR., ESQ., PRESIDENT OF THE ALLEN BROTHERS TOBACCO COMPANY, LYNCHBURG, VA.

The CHAIRMAN. Are you connected with the so-called "tobacco trust?"

Mr. ALLEN. In no way whatever.

I have no prepared or written statement to make. I only wish to make a practical demonstration to the committee, to show them how I conceive that this bill will operate to the detriment of the manufacturer and in discrimination against the manufacturer, and result in the loss to the Government of a considerable amount of revenue.

The proposed bill says that a farmer may sell tobacco in hands. That [exhibiting sample of tobacco to the committee] is what you call a hand. That is in the natural state, as it is grown and assorted and put up into bundles or hands; and they can pack these hands into boxes weighing 25 pounds, 50 pounds, 100 pounds, or hogsheads of 1,000 pounds, and sell it out to the dealers, retail dealers, or anybody they please. That dealer can keep this tobacco in that condition, if he wishes to, and he can sell it out over his counter by the pound, 5 pounds, or 10 pounds, as the purchaser may want it. He can take it home and get it in a dry condition so that he can fix it up for granulated smoking tobacco such as this [indicating]; or he can take the stem out, as I have done here before you, and he can make that tobacco into a twist. Now, he has, after he makes this twist, just exactly what the manufacturer is putting on the market to-day and is paying a 6-cent tax to the Government for.

Senator DANIEL. The manufacturer puts his compost with it, though.

Mr. ALLEN. There is nothing on the face of the earth in either. There [exhibiting twist of tobacco] is a twist that we manufacture very extensively. There is no licorice, there is no sugar, there is no ingredient worked in that whatever; nothing but the plain tobacco as it comes from the farm. That particular tobacco comes from Kentucky, where it is grown. There is a growing demand every day for tobacco in the natural state. There are manufacturers in Kentucky to-day that are manufacturing from one to two million pounds and more of that kind of twist, similar to this.

The CHAIRMAN. And they pay a tax?

Mr. ALLEN. They pay a tax, of course.

Now, as I conceive it, if the farmer is granted the privilege of selling his tobacco in hands it simply means that he becomes a competitor of the manufacturer; and Mr. Landstreet in his statement has covered that point. He has shown you that it will, of course, mean a greatly reduced sale of the tobacco to the manufacturer, for every pound of this kind of tobacco that goes into consumption will replace a pound of manufactured tobacco on which the Government will lose 6 cents per pound tax.

Senator DANIEL. This bill says that "unstemmed tobacco in the natural leaf, and not manufactured or altered in any manner"——

Mr. ALLEN. This is not stemmed; it is unstemmed.

Senator DANIEL. That is right; it is unstemmed. Have you stemmed that?

Mr. ALLEN. I have stemmed it since I have been sitting here. There are the stems on the floor.

Senator DANIEL. It was unstemmed when put up?

Mr. ALLEN. It was unstemmed, just as this is [indicating]. That is what you call a "hand," Senator.

Senator DANIEL. Yes; I understand.

Mr. ALLEN. And when the purchaser goes into the store and buys 5 pounds of this (for which he will probably pay, say, half of what he would have to pay for the manufactured tobacco), he takes it home and at his leisure will prepare this tobacco, either for smoking or chewing. If he wants to chew it, he will twist it up so that it will hold its odor.

Senator DANIEL. Now, this bill says that it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without the payment of any tax of any kind.

Mr. ALLEN. That is what your proposed law says.

Senator DANIEL. This is the proposed law.

Mr. ALLEN. That is just the point I made—that you can sell this tobacco, and any dealer can buy it and retail it over his counter.

Senator DANIEL. But can no other person than the farmer do it?

Mr. ALLEN. Oh, yes; but no manufacturer can do it, no registered leaf dealer can do it, without making an account to the Government.

Senator DANIEL. Without doing what?

Mr. ALLEN. Without making a report to the Government. The farmer makes no report.

Senator DANIEL. He makes a report to the Government; but does he pay any tax?

Mr. ALLEN. No, sir; there is no tax.

Senator DANIEL. But you are in the business of buying and selling, and for that reason you have to take out a license?

Mr. ALLEN. The leaf dealer can sell his tobacco to anybody he pleases, but he can not retail it over the counter.

Senator DANIEL. I understood you to say he would have to pay a tax of 6 cents.

Mr. ALLEN. Not a leaf dealer; he does not pay any tax. He only handles it in the raw state.

Senator DANIEL. That is what I understand. I misunderstood you before.

Mr. ALLEN. If the purchaser of that tobacco wants to smoke it he

simply takes it over a wire sieve in a dry condition and just rubs it up and puts it into a bag or box, and there he has it, with no sweetening on it whatever.

Senator DANIEL. Your only objection is that it makes the farmer a competitor with you, and he does not have to register?

The CHAIRMAN. He does not have to pay a tax.

Senator DANIEL. He does not have to pay a tax?

Mr. ALLEN. The objection that I make is this, that our Government has put a tax of 6 cents a pound on tobacco.

Senator DANIEL. On manufactured tobacco?

Mr. ALLEN. On manufactured tobacco.

Senator DANIEL. But it does not put any tax on you for selling the tobacco.

Mr. ALLEN. Oh, yes, sir; it does. I can not sell that tobacco, after it comes into my factory, to a leaf dealer or anybody at all without getting a permit from the Government.

Senator DANIEL. You can sell it as you got it from the farmer. Any person can sell it as he gets it from the farmer.

The CHAIRMAN. Not unless he is a dealer.

Mr. ALLEN. Not unless he is a dealer; a manufacturer can not do it.

The CHAIRMAN. A manufacturer is not allowed to sell it, very properly.

Mr. ALLEN. Without paying a 6-cent tax. Senator, for your information I will say that I have received orders from Missouri for some bright leaf tobacco for smoking purposes. I have had to take that tobacco in its natural state in the hands, pack it into cases weighing 50 pounds or less, and put the internal-revenue stamp of 6 cents per pound on it. The bill under consideration will allow the farmer or the retailer to do identically the same thing that I have done with that tobacco without any tax whatever.

Senator BAILEY. Would the proposed bill allow you to do the same thing?

Mr. ALLEN. Certainly not; no, sir.

The CHAIRMAN. It does not allow any manufacturer to do it under any circumstances.

Senator DANIEL. Let us read this bill over and see exactly what it is [reading]:

Every person whose business it is to manufacture tobacco or snuff for himself, or who employs others to manufacture tobacco or snuff, whether such manufacture be by cutting, pressing, grinding, crushing, or rubbing of any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco, or manufactured or partially manufactured tobacco or snuff, or the putting up for use or consumption of scraps, waste, clippings, stems, or deposits of tobacco resulting from any process of handling tobacco, or by the working or preparation of leaf tobacco, tobacco stems, scraps, clippings, or waste, by sifting, twisting, screening, or any other process, shall be regarded as a manufacturer of tobacco—

that is, anyone who is in that business.

The CHAIRMAN. That is simply a repetition of existing law, I think.

Senator DANIEL. That is right—"Provided, That unstemmed tobacco in the natural leaf, and not manufactured or altered in any manner, shall not be subject to any internal-revenue tax or charge of any kind whatsoever, and it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without payment of tax of any kind."

So you can do that.

The CHAIRMAN. Oh, no; that is the new law. That is new.

Senator DANIEL. I say, under this bill you could do that.

The CHAIRMAN. Yes; you can not do that now.

Senator DANIEL. I say, under the proposed law you can.

Mr. ALLEN. The manufacturer could not do it, Senator.

Senator DANIEL. It says "any person shall."

Mr. ALLEN. But you overlook the law that regulates the manufacturer. He has to account to the Government for every ounce of tobacco that comes into his house and stamp every pound that goes out; and before he can get rid of leaf tobacco that is unsuited for his own manufacture he has to ask the Government for a permit to sell it.

Senator DANIEL. But he does not pay any tax on it?

Mr. ALLEN. He does not pay any tax on it, but they will not grant him a permit to sell it in a retail way to dealers.

Senator DANIEL. Now, why is that?

Senator BAILEY. Senator Daniel, if that was true, if the manufacturers were going to be exempted also, then it would be a very serious question to the revenue.

The CHAIRMAN. I should say so.

Senator DANIEL. But they are exempt now.

The CHAIRMAN. Oh, no; they are not exempt now.

Senator DANIEL. I mean under this bill.

The CHAIRMAN. Oh, yes.

Senator DANIEL. Mr. Yerkes says it will have a very small effect on the revenue.

Senator BAILEY. But not under your interpretation. If the tobacco manufacturer could sell as you suggest, then undoubtedly they would be released from a very considerable tax and the Government would suffer depletion of its revenue.

Senator DANIEL. Mr. Yerkes thinks not.

The CHAIRMAN. Mr. Yerkes does not say that, however.

Senator BAILEY. I do not think he puts that interpretation on it.

Senator DANIEL. That is just what he does put on it. I will show it to you. It is in the speech of Mr. Gaines; I have not Mr. Yerkes's hearing here. Here is Mr. Yerkes's statement; he says it will not make 2,000,000 of difference.

Mr. ALLEN. Mr. Landstreet presented some figures showing that in 1894, I think, it amounted to about 15,000,000 pounds.

Senator DANIEL. Here it is, on page 31 of the free tobacco bill hearings before this committee last Congress, which begin with the statement of Mr. Landstreet:

This substitute proposes to repeal the existing law in one respect only; that is by untaxing the natural leaf tobacco in the hands of "any person."

I quote from Mr. Yerkes, House hearings, page 48:

"Mr. GAINES. How much revenue do you get from that particular way of selling tobacco?"

"Mr. YERKES. I would say about nothing. Do any of you gentlemen know leaf of tobacco being sold to any man with a tax of 6 cents a pound paid on it?"

And on page 55 he says:

"Mr. YERKES. I do not think that it would materially injure the revenue of the Government. I do not think that it would materially affect the proper enforcement of the revenue law, and I believe it would give large relief to the tobacco grower. * * * I believe you could grant relief along that avenue that would be of great benefit to the producer."

That is, by untaxing the natural leaf just as this bill proposes to do. Mr. Yerkes saw no objection to granting this relief.

Mr. Yerkes drew this bill.

Mr. ALLEN. So he told me.

Senator DANIEL. Yes; he drew this bill.

The CHAIRMAN. He drew it, he told me, on request of parties who had a particular object they wanted to accomplish.

Senator DANIEL. He answers that proposition about so much loss of revenue; that is what I was reading this for.

The CHAIRMAN. Mr. Yerkes told me he had no idea how much the revenue would be affected.

Senator DANIEL. Well, we take Mr. Yerkes by the record. We do not know what he tells people privately. That is not a part of the record.

The CHAIRMAN. But this record is hearsay—the report of Mr. Gaines.

Senator DANIEL. He gives his identical language.

The CHAIRMAN. He purports to.

Senator DANIEL. He quotes his identical language, and it has never been disputed. We heard Mr. Gaines a year and a half ago, and it has never been disputed.

Mr. LANDSTREET. In view of this discussion I would like to bring out that proposition. Senator Daniel has the idea that it would not materially affect the revenue of the Government. Now, if it does not, one of two things will have to take place—either the consumer will have to consume more tobacco or it will not benefit the farmer.

The CHAIRMAN. If the farmer gains the revenue must be lost.

Mr. LANDSTREET. That is right.

The CHAIRMAN. And if the revenue is not lost the farmer does not gain.

Senator DANIEL. Well, I would like to see the farmer get something for his tobacco. I have not heard of any of them getting rich from its sale.

Senator BAILEY. Senator, those of us who grow wheat and cotton think tobacco growing is a very profitable business. They make more money than any farmers in the country; but that is no reason why they should be imposed on in any way.

Senator DANIEL. That is not the account they write to me. I know that a great deal of land in my country that has been used in tobacco is going out.

Senator BAILEY. They can not grow tobacco on all land, of course.

Mr. LANDSTREET. They have cultivated it so long in tobacco that it will not raise it any more.

Senator BAILEY. They make \$40 and \$50 an acre down in Kentucky. They make so much that they plow up the blue-grass seed and plant it.

Senator DANIEL. Here is Mr. Yerkes's statement. You referred to Mr. Gaines; here is his letter, on page 32.

The CHAIRMAN. Still quoted by Mr. Gaines?

Senator DANIEL. No; not quoted by Mr. Gaines, but published in full. It is a letter to Hon. John Dalzell, Mr. Dalzell being the patron of the bill; so it has no Democratic discount in it. He says:

I am of opinion that the decrease in revenue will be comparatively small. No annoyance will arise by reason of this amendment so far as the execution of the laws is concerned and in the proper administration of departmental affairs in the Internal Revenue Bureau.

The CHAIRMAN. He says also there what Mr. Allen has already brought out—

to the extent that leaf tobacco in the "hand" displaces manufactured tobacco, both chewing and smoking, the revenue will be decreased.

That must be perfectly apparent to anybody. A man does not have to be a Commissioner of Internal Revenue to see that.

Senator DANIEL. Oh, anybody can see it, so far as it displaces other tobacco.

The CHAIRMAN. So far as it is used it will decrease the revenue. If it is not used at all, there will be no benefit to the farmer or anyone else.

Senator DANIEL. But the tobacco man will have the right to do this under this bill, just like the farmer. It is fair to both; because if people use the natural leaf as it is, and do not want any sugar or anything in it or to have it put up, it does not prohibit them from doing so. If a man chooses to eat corn off the cob, he has the right to do so.

The CHAIRMAN. Both of these gentlemen say that there is a constantly increasing use of tobacco in that form.

Senator DANIEL. There may be.

The CHAIRMAN. I think it is a very natural use, too. I do not see why it should not be so. The addition of extraneous substances can not affect the tobacco very much, except perhaps by giving it flavor; that is all.

Senator DANIEL. One man can speculate on that as well as another. We are getting at the facts now.

Mr. ALLEN. Mr. Chairman, since the Senators have referred to the honorable Commissioner's opinion in this matter, I would like to state that I have had a conversation with Mr. Yerkes since that letter was written—

Senator DANIEL. Is this hearsay, too? Suppose we send for Mr. Yerkes and get his views on the matter.

The CHAIRMAN. We can not send for him to-day.

Mr. ALLEN (continuing). In which he stated pretty much the same that Senator Daniel has quoted, but added, when I expressed surprise at the position he had taken, "You know that people who chew tobacco do not want tobacco unless it is full of licorice and sugar." I said: "Mr. Commissioner, did you know that the tendency in the last few years has been largely to unsweetened tobacco and that a business has grown up through Virginia and Kentucky that has developed to enormous proportions on natural tobacco without any sweetening whatever?" "No; I did not." "Well," I said, "that alters the case very materially, and I am surprised to know that the framer of that bill did not know that." In talking with one of his assistants, to whom I showed one of these samples, he said: "Why don't you have manufacturers appear before the committee and bring out those facts?" And that was one thing that has largely induced me to come to Washington to-day. I believe that it will result in a serious injury to the manufacturing interests and in great loss to the Government in revenue and will not accomplish for the farmer what the advocates of this bill think it will.

It is a fact that the farmer, in selling his tobacco to-day, has not as many purchasers for it as in past years. That is brought about by the fact that the great American Tobacco Company has absorbed so many manufacturing interests, so many leaf-tobacco dealers, and

there are fewer independent manufacturers and dealers than there were some years ago. Therefore there are not as many legitimate tobacco dealers, manufacturers, and leaf dealers as we had in former years. But they can not, in my judgment, remedy that part of it by becoming retailers of tobacco themselves out in the trade. How many farmers would quit their business and go around to retail tobacco in 10-pound lots or 50-pound lots or 100-pound lots, as the retailers are buying to-day? There are some farmers that would become dealers in every sense of the word, minus the reporting to the Government and being under the Government and paying a tax.

Senator DANIEL. How many leaf dealers are there in Lynchburg, Mr. Allen?

Mr. ALLEN. Just at random, I would say that there are something like six or eight, possibly ten.

Senator DANIEL. There are many less than there were formerly, are there not?

Mr. ALLEN. At one time we had 60 members of the Tobacco Association there, and there are now only three or four leaf dealers outside of the tobacco trust there that are doing a business that amounts to anything.

Senator DANIEL. Three or four?

Mr. ALLEN. Three or four will cover it.

Senator DANIEL. This would be practically, then, for the benefit of the tobacco trust? The opposition to this bill is practically and in the large for the benefit of the tobacco trust?

Mr. ALLEN. No, sir; I do not agree with you.

Senator DANIEL. You say that outside of the tobacco trust there are only three or four leaf dealers in Lynchburg now?

Mr. ALLEN. You asked me the number of leaf dealers, did you not?

Senator DANIEL. Yes.

Mr. ALLEN. I consider that that is more hurtful to the tobacco manufacturer than it is to the leaf dealer.

Senator DANIEL. How many manufacturers are there in Lynchburg outside of the trust?

Mr. ALLEN. We have two plug-tobacco manufacturers and two smoking-tobacco manufacturers.

Senator DANIEL. You have two plug manufacturers, two smoking manufacturers, and three leaf dealers?

Mr. ALLEN. Yes, sir. At one time we had nearly thirty.

Senator DANIEL. You had about sixty at one time, did you not?

Mr. ALLEN. Members of the tobacco association, dealers in tobacco; some were leaf dealers, some manufacturers.

Senator DANIEL. And some plug-tobacco manufacturers; and now you have seven.

Mr. ALLEN. About seven; I have not counted up the exact number.

Senator DANIEL. About seven—seven or eight; something like that. What proportion of the tobacco is bought by the trust, and what proportion by them?

Mr. ALLEN. I am really not prepared with figures on that point, Senator. We do not buy any tobacco, you might say, on the Lynchburg market for manufacturing purposes, because that is a fire-tobacco section. That is used almost exclusively for Regie purposes and for snuff purposes.

Senator DANIEL. Where do you get your tobacco?

Mr. ALLEN. That tobacco is grown in Kentucky.

Senator DANIEL. Is that Burley?

Mr. ALLEN. No, sir; it is not Burley.

Senator DANIEL. Is it a black tobacco?

Mr. ALLEN. A dark tobacco; brown tobacco. There is a hand of it.
[Exhibiting tobacco to committee.]

Senator DANIEL. What is the kind of tobacco that is mainly sold on the Lynchburg market?

Mr. ALLEN. Mainly hard-fired dark tobacco.

Senator DANIEL. By whom is it bought, in the main?

Mr. ALLEN. It is bought by the American Tobacco Company through its different branches, such as the American Snuff Company.

Senator DANIEL. How many branches of that company are there in Lynchburg?

Mr. ALLEN. It is all bought through one concern, the American Snuff Company. Then the Imperial Tobacco Company has a factory there.

Senator DANIEL. Are not they the chief purchasers of tobacco there?

Mr. ALLEN. Well, the Austrian Government buyer—W. G. Dunnington & Co.:

Senator DANIEL. The Regie manufacturer?

Mr. ALLEN. The Regie purchasers buy considerable tobacco there also.

Senator DANIEL. And the Regie dealers make arrangements among themselves to divide the market, do they not?

Mr. ALLEN. No, sir; not that I know of. I have never heard of anything of that kind.

Senator DANIEL. A great deal more than half of the tobacco is bought by the American Tobacco Trust in Lynchburg, is it not?

Mr. ALLEN. I should say so, sir.

Senator DANIEL. How much more than half, do you suppose?

Mr. ALLEN. Well, Senator, I would not like to give figures there, because I have not attended the tobacco market in Lynchburg for two years. I have not kept up with that particular part of it. I have already stated that our leaf tobacco is bought in Kentucky.

Senator DANIEL. The American Tobacco Company would be the main gainers by the views you present, in the increased competition of the farmer?

Mr. ALLEN. The American Tobacco Company?

Senator DANIEL. Yes.

Mr. ALLEN. No, sir; I am here in the interest of my own factory, an independent factory.

Senator DANIEL. I understand. I am not referring to you, but you say that this trust buys a great deal the larger half of the tobacco?

Mr. ALLEN. I will say that the American Tobacco Company controls a large part of the manufactured tobacco of the country; just what per cent of it I am not prepared to say, but certainly greatly over half.

Senator DANIEL. Greatly over half?

Mr. ALLEN. Therefore they would be benefited, perhaps, to a greater extent than I would, with my smaller business.

Senator DANIEL. They would be benefited more than everybody else put together.

The CHAIRMAN. Is their interest any different from the interest of the other manufacturers?

Mr. ALLEN. They can also stand it better than I can.

Senator DANIEL. Your house has no connection with the Regie purchasers, or the tobacco trust, either?

Mr. ALLEN. My house has no connection with the trust or any of its branches, either directly or indirectly. Mr. W. G. Dunnington, who is a purchaser for the Regie government, is interested in my firm.

The CHAIRMAN. Do you use those words as interchangeable, Mr. Daniel? You spoke about the Regie and the trust. Do you think they are the same?

Senator DANIEL. Oh, no; I did not use them interchangeably. I used them differentially. The Regie is one thing and the trust is another.

The CHAIRMAN. I suppose so.

Senator DANIEL. I said nothing to indicate the contrary.

Mr. ALLEN. There are two Regie buyers on the Lynchburg market.

The CHAIRMAN. The word "Regie," I suppose, simply applies to a royal purchaser. I suppose "Regie" simply means a purchaser for a government; that is all it means.

Senator DANIEL. A purchaser under contract for some government of very large amounts of tobacco.

Mr. ALLEN. I will state, Senator, for your information, that there are two separate concerns, that have no connection with each other, that are buying on the Lynchburg market and are buying for the Regie government—for the same government.

Senator DANIEL. Which concerns are they?

Mr. ALLEN. They are W. G. Dunnington & Co. and Stalling & Co. It is conceded that they are both buying for Regie governments.

Senator DANIEL. Do they bid against each other?

Mr. ALLEN. Why, most assuredly they do.

The CHAIRMAN. You are in active competition, as I understand it, with the trust?

Mr. ALLEN. Yes, sir; not only in buying, but in marketing my goods, and I have a pretty hard fight in both particulars.

Senator DANIEL. You do not have to pay any tax on tobacco like that? (Referring to tobacco produced by Mr. Allen.)

Mr. ALLEN. I do not pay any when I buy it, you mean?

The CHAIRMAN. When you sell it.

Mr. ALLEN. When I sell it I pay to the Government 6 cents a pound.

Senator DANIEL. Would you be obliged to do that under this bill?

Mr. ALLEN. Oh, yes, sir. The manufacturer is not allowed to sell anything without paying a tax.

Senator DANIEL. Not if he manufactures it?

Mr. ALLEN. And as a manufacturer you do not allow me the privilege which you are proposing to allow to dealers and farmers.

Senator DANIEL. Just wait a minute; let us get at the exact facts now and then characterize them after we get them. I am only looking for the truth about it.

Mr. ALLEN. I understand that.

Senator DANIEL. I do not want to pervert anything at all; of course it is needless to say that. The unstemmed tobacco, such as that is, can,

as I understand this bill, be sold by anybody without tax if this bill passes.

Mr. ALLEN. I do not so understand it.

The CHAIRMAN. If it does, it certainly revolutionizes the whole industry.

Senator DANIEL. That is another matter. Let us get one thing at a time. I am trying to get at the facts.

Senator BAILEY. I think Senator Daniel is right about it.

Senator DANIEL. I am trying to get at the facts. It may be a revolution; you can descant on the revolution when the revolution comes. The bill provides—

That unstemmed tobacco in the natural leaf, and not manufactured or altered in any manner, shall not be subject to any internal-revenue tax or charge of any kind whatsoever, and it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without payment of tax of any kind.

Mr. ALLEN. Will the Senator allow me to interrupt him one moment right there?

Senator DANIEL. Yes, sir; certainly.

Mr. ALLEN. Your law in another place also prohibits every manufacturer from bringing an ounce of tobacco into his factory without reporting it to the Government.

Senator DANIEL. I understand that.

Mr. ALLEN. And he has not the right to take out one ounce of it until he makes returns to the Government.

Senator DANIEL. Very well; now we understand that.

Mr. ALLEN. And there is no provision in here—

The CHAIRMAN. That is another provision of law, Mr. Daniel.

Senator DANIEL. I understand that; but I am merely meeting the statement that he does not have to pay any tax. I want that to be definitely ascertained. He may have to report it to the Government; he is a manufacturer, and they notice what he does with the tobacco when he brings it there; but he does not have to pay any tax on selling this tobacco any more than the farmer does under this bill, as I understand it. I am simply asking Mr. Allen if that is not true.

Mr. ALLEN. Yes, sir.

Senator DANIEL. He does have to be registered?

Mr. ALLEN. It is true that he does not have to pay any tax on the tobacco when he brings it into the factory.

Senator DANIEL. Nor does he have to pay it if it goes out in the same form?

Mr. ALLEN. But the Government does not permit him to send it out in the same form. I can not sell my leaf tobacco to anyone but a registered manufacturer. I can not even sell it to a regular leaf dealer unless he has a manufacturer's license.

Senator DANIEL. There is a restriction on your sale of it?

Mr. ALLEN. Why, certainly. If the Senator will remember, in a conversation—

Senator DANIEL. But I am asking you as to your interpretation of this, Mr. Allen. If this language which is in this bill becomes a law, it says that it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without payment of tax of any kind.

Mr. ALLEN. That does not apply to me.

Senator DANIEL. In what respects does it not apply to you?

Mr. ALLEN. Because I am a manufacturer.

Senator DANIEL. Now, where is that?

Mr. ALLEN. It is in another part of your law, regulating what a manufacturer shall do and how he shall receive his tobacco.

Senator DANIEL. The bill reads:

Every person whose business it is to manufacture tobacco or snuff for himself, or who employs others to manufacture tobacco or snuff, whether such manufacture be by cutting, pressing, grinding, crushing, or rubbing of any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco, or manufactured or partially manufactured tobacco or snuff, or the putting up for use or consumption of scraps, waste, etc., * * * shall be regarded as a manufacturer of tobacco.

Mr. ALLEN. Yes, sir.

Senator DANIEL. They tax the farmer if he does that, as well as you?

Mr. ALLEN. Oh, no; they do not tax the farmer at all.

Senator DANIEL. If he puts it up in that way?

Mr. ALLEN. He could not do it.

Senator DANIEL. Then it does not tax him if he could not do it.

Mr. ALLEN. Well, I say he could not pay a tax unless he first gave a bond to the Government and became a manufacturer. He has to take that step first.

Senator DANIEL. That is what I say; but you are on the same footing with a farmer as to buying and selling leaf tobacco, as the farmer buys it and sells it.

Mr. ALLEN. Senator, would the Government permit me to buy that tobacco in that state and then sell it again in that state?

Senator DANIEL. I think so, under this bill.

Mr. ALLEN. To the dealers in the country?

Senator DANIEL. I do not see any provision in anything that you have called my attention to that would prohibit that.

Mr. ALLEN. Why, then, in a very few years—

Senator DANIEL. Wait a minute; let us get at the facts. Do not let us argue the facts until we get at them.

Mr. ALLEN. Very well.

Senator DANIEL. As I understand that, any body can buy or sell that tobacco in that shape. How is that, Mr. Gaines?

Mr. GAINES. I can answer the question, Mr. Senator. The farmer can sell his own growth, and his own growth only, to anybody.

Senator DANIEL. Yes.

Mr. GAINES. But the farmer can not even sell his own growth to consumers by an agent.

Senator DANIEL. I understand that; that is under the law now.

Mr. GAINES. Yes, sir. That is under a rule of the Department. It is not the law.

Senator DANIEL. No; under the rule.

Mr. GAINES. It is a brutal one, too.

Senator DANIEL. I understand. Take this proviso on page 2 which is now before the Senate committee:

Provided, That unstemmed tobacco in the natural leaf, and not manufactured or altered in any manner, shall not be subject to any internal-revenue tax or charge of any kind whatsoever, and it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf without payment of tax of any kind.

Mr. GAINES. Yes, sir.

Senator DANIEL. Anybody can do it?

Mr. GAINES. Yes, sir; just like corn and wheat and rye. That is what the bill provides.

Mr. HANCOCK. Can the manufacturer do that, Mr. Gaines?

Mr. GAINES. No, sir.

The CHAIRMAN. I will call your attention to section 3372 of the Revised Statutes.

Senator DANIEL. I am reading the law that is proposed.

The CHAIRMAN. I know that, but I do not think it changes the present law. Certainly if it does it ought not to.

Senator DANIEL. Let us not interpolate argument now; let us get at the facts.

The CHAIRMAN. I will simply read this because it may enlighten you as to the facts.

Senator DANIEL. I am not arguing as to whether it is right or wrong. I think Mr. Bailey misunderstood this law, and that is the reason I made the suggestion.

The CHAIRMAN (reading):

Every manufacturer of tobacco or snuff who removes, otherwise than as provided by law, or sells, without the proper stamps denoting the tax thereon, or without having paid the special tax, or given bond as required by law, any tobacco or snuff, or who makes false and fraudulent entries of manufactures or sales of tobacco or snuff, etc.

shall be subject to certain fines and penalties. He can not sell it.

Senator BAILEY. If I misunderstood it at all, it was that I interpreted it to allow the farmer to sell without the tax without allowing the same privilege to the manufacturer.

Senator DANIEL. Yes. Now is it broad enough to include everybody?

Senator BAILEY. If this stood alone, there is no doubt in the world that it would give the manufacturer that right.

The CHAIRMAN. There can not be any doubt about it.

Senator DANIEL. That was the understanding I had of it.

Senator BAILEY. But if there are any other provisions of law now existing, a very pretty question would arise as to whether that repealed that law. Now, I understood Mr. Gaines, who has taken a great interest in this matter, to say that under this law the manufacturer could not sell; and he agrees with my view of it.

The CHAIRMAN. Yes.

Senator BAILEY. But upon examining it closely I agree perfectly with Senator Daniel that if it stood alone it is broad enough to authorize the manufacturer to sell this kind of tobacco in this condition precisely the same as anybody else.

Senator DANIEL. If you went out in the country and bought a wagonload of it and sold it to somebody else out in the country without taking it through a factory.

Senator BAILEY. Now, there may be some other provisions—regulating how he gets his tobacco in his place and how he gets it out—that would exclude him from doing that.

Senator DANIEL. Now, here comes the next proviso; let us read that:

Provided further, That any person who sells natural leaf tobacco to manufacturers of tobacco, snuff, or cigars shall be deemed and considered a dealer in leaf tobacco and become subject to all the provisions, rules, and regulations of subsection six of section thirty-two hundred and forty-four, United States Revised Statutes, as amended by section fourteen, act of March first, eighteen hundred and seventy-nine, and also as amended by the act of March third, eighteen hundred and eighty-three, and, further, shall be subject to all the provisions of section thirty-three hundred and sixty,

United States Revised Statutes, as amended by section fourteen, act of March first, eighteen hundred and seventy-nine, and of sections thirty-three hundred and fifty-nine and thirty-three hundred and ninety-one, United States Revised Statutes.

Now, that is as to being a dealer in tobacco. He becomes a dealer in tobacco, not a manufacturer. Then the culminating proviso is:

That farmers and growers of tobacco may sell leaf tobacco of their own growth and raising to manufacturers of tobacco, snuff, or cigars without being considered leaf dealers or manufacturers of tobacco, and shall not be subject to the sections of the law and amendments thereof above named.

That is to say, it is not as a manufacturer that he must pay any 6 cents on manufactured tobacco. He does not have to pay that because he may buy and sell this leaf tobacco perpetually, but if he is in the business or is selling natural leaf tobacco to manufacturers of tobacco, he is to come under these particular provisions of law.

The CHAIRMAN. But under section 3372, unless it is repealed by this provision, he can not sell any tobacco at all without the payment of tax.

Mr. ALLEN. You will have to take those sections, Senator, in connection with that act.

Senator DANIEL. Yes; you will have to look at those sections.

Mr. ALLEN. Senator Daniel, may I ask you one question there that I asked you the other day? I think I remember correctly your answer. I am a manufacturer of tobacco. I am also a farmer and a grower of tobacco. I raise tobacco every year. Under the proposed law would I have the right to take my tobacco from my plantation and peddle it through the country and sell it to dealers?

Senator DANIEL. I think you would.

Mr. ALLEN. You told me at that time, I think, that I would not.

Mr. GAINES. Why, clearly you would have the right, and ought to have it.

Mr. ALLEN. As a manufacturer?

Mr. GAINES. No, sir; as a grower.

Mr. ALLEN. And, I say, I am in the manufacturing business.

Mr. GAINES. That does not make any difference. If you manufacture this tobacco you have to pay a tax on it; but you certainly have a right under the law now to take this tobacco yourself and sell it to anybody you please.

Senator DANIEL. You have that right now.

Mr. GAINES. But you are hampered and tied up by these miserable and brutal rules made to enforce the law.

The CHAIRMAN. Mr. Allen, have you anything further to say? We will have to close this hearing now, because it is 12 o'clock.

Mr. ALLEN. I have covered all the points I wish to make unless there are some questions you wish to ask me.

(The committee thereupon adjourned.)

WASHINGTON, D. C., *Wednesday, February 6, 1907.*

The committee met at 10.30 o'clock a. m.

Present: Senators Aldrich (chairman), Burrows, and Daniel of the committee.

Present, also, Senator McCreary, of Kentucky; William E. Strater, esq., of Louisville, Ky.; W. E. Massey, esq., of Louisville, Ky.; W. F. Axton, esq., of Louisville, Ky.; F. D. Williams, esq., of Richmond, Va.; W. L. Crounse, esq., of Washington, D. C., and others.

The committee thereupon proceeded to the consideration of the bill (H. R. 14972) "For the relief of tobacco growers."

STATEMENT OF WILLIAM E. STRATER, ESQ., OF THE STRATER BROTHERS TOBACCO COMPANY, OF LOUISVILLE, KY.

The CHAIRMAN. What is your business?

Mr. STRATER. I am a tobacco manufacturer, manufacturing principally plug tobacco, but also some twist and smoking and fine-cut tobacco.

The CHAIRMAN. Are you what is called an independent manufacturer?

Mr. STRATER. Yes, sir; we are perfectly independent.

The CHAIRMAN. You are not connected with the so-called "tobacco trust?"

Mr. STRATER. In no wise whatever; no. We have no connection of any kind with our competitors.

The CHAIRMAN. We will listen to what you have to say. Are you for this bill or against it?

Mr. STRATER. I am against the bill, Mr. Chairman, for the reason that it is unjust to the manufacturers of tobacco. We have engaged in this business in good faith, and have spent many years of time and invested our means in it.

Senator McCREARY. Mr. Chairman, if you will allow me to interrupt, if you please, if Mr. James and Mr. Stanley, who come from the first and second districts of Kentucky, have not been notified——

The CHAIRMAN. We do not notify people of our hearings. Mr. Daniel said that he was going to have his people here. Of course, I do not know who his people are.

Senator McCREARY. You know I was not notified of this meeting myself at all.

The CHAIRMAN. No.

Senator McCREARY. Or I would have notified them.

The CHAIRMAN. We will give plenty of opportunities to be heard hereafter.

Senator McCREARY. I might go out and send a telephone message down to them.

The CHAIRMAN. I doubt very much whether we would be able to hear them. If they would like to be present we have no objection, of course.

Senator McCREARY. I will just notify them by telephone.

Mr. STRATER. We have engaged in this business, Mr. Chairman, in good faith. We have spent many years of constant labor and we have invested a great amount of money in the business, assuming that we could always rely upon the General Government to give us

fair treatment in regard to the taxing power. This bill, if enacted into a law, will sweep away the results of the industry of many manufacturers, especially the smaller ones. The bill, in my opinion, will affect to a greater extent the smaller manufacturers than it will the largest ones.

In recent years the consumption of twist and smoking tobacco in the very nearly natural condition has greatly increased. To-day probably one-fifth of the entire output of manufactured tobacco is either of a natural leaf character or very nearly so. That is, the tobacco has been put up in packages and stamped according to law, but there has been very little added to its natural condition. That tobacco is now paying a tax of 6 cents per pound. If this proposed bill is enacted, that portion of the business will almost entirely be swept away, for the reason that the raw leaf, which is untaxed, can be manipulated by the consumer so easily that he will not pay the much larger price for the manufactured product.

This natural leaf tobacco is also largely manufactured, I will say, by the independent manufacturers. The so-called "tobacco trust" has, in my opinion, a very small end of that part of the business.

Many of us have put our brands of tobacco on the market and advertised them and pushed them for many years without profit, with the expectation of recouping ourselves later on, when we have established our brands. That is the common procedure in our business. In many cases such manufacturers will have the entire results of their efforts swept away. Congress has seen proper to select tobacco as a proper source of taxation; and we therefore believe that it will not be just to enact a law that will so greatly injure and grossly discriminate against those who have engaged in the business, relying on Congress to always deal justly with all branches of this industry. I think we have a right, inasmuch as tobacco is a source of revenue, to ask that all departments of the industry be treated alike.

This bill is presented primarily as a bill for the relief of the grower. It is true that at times the price of leaf tobacco has been abnormally low in some sections, but we contend that that is simply a question of supply and demand. As you know, some years ago the price of corn in Kansas was so low that the farmers were compelled to burn it as fuel. But that was simply a question of oversupply; and the same thing is true of the tobacco situation at the time when the price was so low, several years ago. For the past two years, as a matter of fact, the price of leaf tobacco has been satisfactory to the grower. During 1904 the price of what is called dark tobacco, which is grown in western Kentucky and western Tennessee, was abnormally low; and, as I understand it, this bill emanated from that section of the country, for the relief of those people. As a matter of fact, though, those people raised tobacco almost entirely for export. Very little of their tobacco was used in the United States, and when they found the price becoming so very low they asked for this relief. Those people had not contributed in any way to the revenues of this country, because they were raising export tobacco entirely; and the conditions which caused this low price in the dark sections were entirely a question of export to England.

In 1904 Mr. Chamberlain, who was the chancellor of the exchequer, conceived the idea of charging a higher rate of duty on stemmed leaf tobacco imported into England than on the unstemmed leaf.

Up to that time the tobacco exported to England, from what is called the dark sections of Kentucky and Tennessee, was almost entirely stemmed, and in England they had been carrying about a two years' supply of tobacco. My recollection is that they had been carrying from 150,000 to 200,000 hogsheads, and their annual consumption is about 75,000 hogsheads.

The stemmers in the western districts had, as usual, been putting up their tobacco in the late fall and winter, stemming it to be shipped in the early summer to England, as usual. When Mr Chamberlain made this change in his budget, and made a differential of 6 cents as between unstemmed and stemmed leaf, all of these people in western Kentucky who had put up their tobacco for export found themselves confronted with a very serious situation. They could not send that tobacco to England because it was stemmed, and consequently would have to pay, I think, 78 cents a pound import duty, when the leaf with the stem in it could be brought into England for 72 cents. In consequence there were about fifteen or twenty thousand hogsheads, I think, of this tobacco already prepared for the English markets that could not be sent over and had to be thrown on the American market and disposed of at the best possible price; and there was already a large oversupply in English markets, along with which we had had several large crops in western Kentucky. In consequence the price of dark-leaf tobacco went to very low figures, considerably below the cost of production; and that, I think, is the reason this agitation began.

But coincident with that very situation in the western tobacco district we had a short crop of burly in central and eastern Kentucky, in the burly districts. That is the tobacco that is used almost entirely in the United States for chewing tobacco; and we found in that same year, 1904, that we had almost the highest prices in burly tobacco that we have ever had. There was a great deal of talk of a "corner in the market," and many of us were afraid that we would actually run short of a sufficient supply to run our business.

There are a great number of people who are employed in the tobacco manufacturing business in its various branches, including also, I will say, the cigar end of the business. Many of these people have spent their entire lives in this craft, and know no other line of business except the manufacture of tobacco or cigars. We believe that if this law is enacted many of these people will be thrown out of work, for the reason that there will be a large decrease in the consumption of manufactured tobacco. We do not think it is right to throw these people out of work by a complete change in the system of taxing tobacco.

It is the opinion of all manufacturers that the loss in revenue will be much more serious than is commonly believed. In 1890 a law somewhat similar to the one now proposed was enacted. That law was repealed in 1894. During the first two years that that law of 1890 was in effect there was very little attention paid to it. The dealers had not waked up to what the law permitted. But about 1892 they began selling this tobacco in the raw leaf without the payment of tax, and the business immediately sprang up to large proportions. It was estimated that, but 1894, approximately, 15,000,000 pounds per annum of that class of tobacco was sold to consumers without payment of tax.

We believe that if the present bill becomes a law the consumption will rapidly assume much greater proportions, because many of those dealers who formerly engaged in the business, and who were stopped by the repeal of the tax free provisions of the act of 1890, will again reengage in the business. Also, many manufacturers of tobacco will be compelled to engage in this business as a matter of self-protection; and we think, therefore, it is safe to say that inside of two or three years the consumption of this raw leaf on which no tax is paid will at least reach 50,000,000 pounds per annum, and we think the consumption will continue to increase.

Besides, under the law of 1890 dealers who sold this leaf tobacco for consumption without payment of tax were required to register. It is also my recollection that every dealer who sold this tobacco to the consumer without payment of tax was required to keep a book in which he made a record of each sale to the consumer, which book was always open to the revenue officials, and in consequence the Government at all times had a check on this traffic. The proposed law, however, provides absolutely no check of that description. A dealer who sells leaf tobacco to a manufacturer under the proposed law will be required to register, so that the manufacturer's accounts can be checked up, but that same dealer under another name can engage in the business of distributing tobacco to consumers without payment of tax. We believe that will open up avenues for a very great amount of illicit manufacture, and the Government will largely suffer, and it will also be detrimental to those manufacturers who are honestly conducting their business and who are paying the tax.

Besides, in 1894, when the former law was in effect, it is my understanding that in a great many cases dealers who engaged in that business put printed instructions in these packages of leaf tobacco showing the consumers just how this tobacco could be manipulated by hand for smoking and chewing purposes. In some cases they even sent out instructions to the consumer as to how to put sweetening and flavoring matter in the tobacco, so that they could prepare their tobacco at home for home consumption.

We believe, Mr. Chairman, that this bill is a gross discrimination against all tobacco manufacturers. We believe it is strictly class legislation, and we therefore hope you will be able to protect us.

Senator McCREARY. Before you go, I should like to ask you a question.

The CHAIRMAN. It is customary to ask questions through members of the committee, but I have no objection to your asking questions.

Senator McCREARY. The reason I said that, Mr. Chairman, was that the witness left his seat and was going to sit down, and no member of the committee asked him anything. I of course yield to—

Senator DANIEL. Suppose you come around and sit by me. Who compose your house, Mr. Strater?

Mr. STRATER. Myself and my two brothers.

Senator DANIEL. You have no interest in any of the other tobacco companies?

Mr. STRATER. No, sir.

Senator DANIEL. Mr. Strater, I want you to tell me, if you can, what has been the course of the prices of tobacco since the reduction of 3 cents in the tax, from 6 cents to 3. How have the prices of tobacco run?

The CHAIRMAN. You do not mean from 6 to 3.

Senator DANIEL. From 12 to 6, I meant to say.

Mr. STRATER. What class of tobacco, Senator, manufactured or unmanufactured?

Senator DANIEL. The unmanufactured tobacco; the farmer's tobacco.

Mr. STRATER. The burly tobacco, which is the class of tobacco used most largely in the United States for chewing purposes, has been higher than before the reduction of tax. In 1901 the tax was reduced, and again in 1902. In 1904 we paid the highest prices for burly tobacco that we have paid since we have been in business.

Senator DANIEL. Do you not think a further reduction in tax would have the same tendency in the case of the farmer's tobacco?

Mr. STRATER. It might. I would hardly advocate a further reduction now. If the Government gets more revenue from tobacco now than it needs—

Senator DANIEL. I am not discussing that; I am just asking you about the price of tobacco. Do you not think that if there was a further reduction of tax, or if the farmer had greater liberty to sell, in either case there would be a continued tendency to increase the price?

Mr. STRATER. I think, Senator, that the price of leaf is more largely a matter of supply and demand. In 1904 the reason we had such very high prices was because we had a short crop. The burly crop was extremely short in 1904, and that is the reason the price went up. It was not a question of tax at all. While it is true that the price was higher in 1904, coincident with the reduction of tax, I think that the increased price of leaf was entirely a question of supply.

Senator DANIEL. Mr. Landstreet, who was one of the independent manufacturers, as he stated, gave his opinion to the committee that if this bill passed it would tend to increase the profit to the farmer, the benefit to the farmer. Do you concur in that opinion?

Mr. STRATER. I do not. I think that this bill if passed will injure the farmer.

Senator DANIEL. How would that operate, Mr. Strater?

Mr. STRATER. For the reason that it will promote the culture of tobacco in a very small way in a great many sections of the country, all over the country, for consumption in the immediate neighborhood; and it would drive a great many small manufacturers out of business, or at least take a large part of their business away from them. The farmers, who live in the present growing districts, will not have the competition that they have at present. They are complaining now—

Senator DANIEL. What do you mean by the culture. I do not quite understand that.

Mr. STRATER. I mean that tobacco can be grown in almost every State in the United States. It is not at present grown in many States.

Senator DANIEL. It would promote the culture of tobacco in a small way everywhere, you think?

Mr. STRATER. I think so. It would certainly not benefit the growers in the growing districts, the growers who make their living out of growing tobacco, because it would tend, I think, to make

farmers all over the country raise a little patch of tobacco the same as they would raise garden stuff. Those farmers, who can make their living growing other crops, will put in a small crop of tobacco, and cut out of a living the farmer in, Kentucky and Tennessee and Virginia and those other districts where tobacco is almost the only thing they can profitably raise.

Senator DANIEL. He can do that now without any impediment; can he not?

Mr. STRATER. But that farmer can not sell his tobacco to the country store and take it out in merchandise, as he could if this bill went into effect.

Senator DANIEL. Can he not do that now?

Mr. STRATER. No, sir. If this bill becomes a law the farmer in Kansas, for instance, could raise a little patch of tobacco, take it to his country-store dealer, and wipe out his grocery debt with it; and that country storekeeper could peddle this tobacco around the neighborhood.

Senator DANIEL. Can not a man who now raises tobacco in Kentucky, say, haul his tobacco to the country store, or anywhere else, and sell it for what he pleases?

Mr. STRATER. That country-store dealer can only sell it to a manufacturer.

Senator DANIEL. But I am not talking about the country-store man; I am speaking about the farmer now. Can not the man who raises the tobacco now haul it to the country store and sell it to the storekeeper for what he pleases—pay a bill with it, or do anything else?

Mr. STRATER. No; he can not sell it to him, because the storekeeper will not buy it, because the store dealer has no outlet for it.

Senator DANIEL. Well, that is his business; but he can sell it. The question is whether the farmer can sell it to him?

Mr. STRATER. He can sell it; yes.

Senator DANIEL. That is what I asked you.

Mr. STRATER. He can sell it if the country store dealer will buy it; but he will not buy it.

Senator DANIEL. I see.

Mr. STRATER. The storekeeper is not a registered dealer.

Senator DANIEL. I understand.

The CHAIRMAN. Any man who sells it has to have a license?

Senator DANIEL. I understand that.

The CHAIRMAN. And keep a record of his sales?

Senator DANIEL. I understand that; but I did not quite apprehend the tenor of his statement. What tobaccos are those which are raised in Kentucky chiefly for export?

Mr. STRATER. What we call the dark tobaccos.

Senator DANIEL. You do not think this matter concerns the price of dark tobaccos to any great extent?

Mr. STRATER. My understanding is that this bill emanates entirely from that section of the country.

Senator DANIEL. I understand that; but I also understood that from the fact that most of that dark tobacco is sold abroad you do not think that this system affected its price to any extent?

Mr. STRATER. Not under the present conditions; but if we allow the sale of that tobacco without payment of tax the conditions would be different.

Senator DANIEL. But how about allowing it to be sold by the farmer's agent? Lay aside the question of tax, allow it to be sold by the farmer himself, or any other person that he sells it to.

Mr. STRATER. It is a question of price, Senator.

Senator DANIEL. Would not that increase the price of it?

Mr. STRATER. I do not understand—to sell it without payment of tax, or with payment of tax? The minute you put the tax on it you change entirely the whole aspect of the situation.

Senator DANIEL. I see.

Mr. STRATER. The difference in price is so great as between untaxed leaf and taxed tobacco that the minute you put on a tax you change the whole situation.

Senator DANIEL. What is the difference, do you think, in the range of price between the taxed and the untaxed tobacco?

Mr. STRATER. The difference is in the first place, 6 cents per pound, and this tobacco, which is manufactured, which goes through a factory, has 4 or 5 cents a pound labor put on it. Then, there is the cost of putting the brands on the market, and a very conservative estimate is 15 cents a pound. Of course, that is just a general statement.

Senator DANIEL. The additional price that the manufactured product would bring over the unmanufactured or unmanipulated tobacco, you think, would be 15 cents?

Mr. STRATER. Easily; that is, taking into consideration the payment of tax and the cost of labor, and the cost of the boxing and freights and all those things.

Senator DANIEL. You think, then, that the putting of the tax on the tobacco does materially affect its price?

Mr. STRATER. Unquestionably.

Senator DANIEL. I thought you said a while ago that you thought it was just a matter of supply and demand, and that the tax did not affect it?

Mr. STRATER. I am talking about the manufactured price.

The CHAIRMAN. To the consumer?

Mr. STRATER. The price to the consumer. You are speaking of the price of leaf tobacco that the farmer gets.

Senator DANIEL. Yes.

Mr. STRATER. But I am talking about the price that the consumer pays.

The CHAIRMAN. Two entirely different things.

Mr. STRATER. Two different propositions. I am speaking of the price when it is marketed to the dealer for sale to the consumer.

Senator DANIEL. Do you know the system of handling tobacco in England by the commission merchants?

Mr. STRATER. No, sir; I am not familiar with that.

Senator DANIEL. Then I will not ask you about that. Do you think the pending bill affects twist tobacco at all?

Mr. STRATER. I will say that it probably would affect that more quickly and more severely than any other branch of the industry. However, there are some manufacturers present who are engaged almost entirely in the twist business, and I would prefer to have them speak for themselves.

Senator DANIEL. What varieties of manufacture do you engage in, Mr. Strater?

Mr. STRATER. We make some twist tobacco, but it is only a small part of our business.

Senator DANIEL. Do you know of any ways in which this bill would affect the price of twist tobacco?

Mr. STRATER. I would say that the consumer could buy leaf tobacco without payment of tax, and it would be a very simple proposition for him, at night or any other time when he was at leisure, to take the stem out and twist his own tobacco, do his manufacturing at home; and he could get his tobacco in that way much cheaper than to have it go through a tobacco factory and pay the tax.

Senator DANIEL. That is all, Mr. Chairman.

The CHAIRMAN. That is all, Mr. Strater.

STATEMENT OF W. E. MASSEY, ESQ., OF LOUISVILLE, KY.

The CHAIRMAN. Give the stenographer your name and business.

Mr. MASSEY. My name is W. E. Massey, of the Ryan-Hampton Tobacco Company, of Louisville, Ky., manufacturers of tobacco.

The CHAIRMAN. Will you state your position upon this bill, and why you think it ought to be passed or ought not to be passed? I am not sure whether you are for or against it.

Mr. MASSEY. I am opposed to the bill.

Gentlemen, to start with, I wish to indorse the statement made by Mr. Strater; but inasmuch as our business is about 90 per cent of natural leaf twisted tobacco, I want to lay especial stress on that feature of the business.

The CHAIRMAN. Are you an independent manufacturer or connected in any way with the so-called "tobacco trust?"

Mr. MASSEY. Independent, and connected in no kind of way with the trust.

The CHAIRMAN. Go on, Mr. Massey.

Mr. MASSEY. Since 90 per cent of our business is twist in the natural shape, we feel that the passage of this bill would destroy the years of labor and the money that we have expended in building up a trade in this class of goods, because it would give us a competition in the raw leaf that would supply virtually our entire trade. Our business is to buy the leaf tobacco from the farmer, take the stem from it, and put it up into a twist, which we sell in turn to the retail trade and through the trade to the consumer.

The CHAIRMAN. Have you here a sample of your product?

Mr. MASSEY. Yes, sir; I have.

The CHAIRMAN. Perhaps the committee will understand it better if you produce it.

Senator BURROWS. You speak of the capital invested in the industry—how much is it?

Mr. MASSEY. We have \$100,000; or, rather, our stock company is a \$100,000 concern. [Producing samples of tobacco.] Gentlemen, there is the raw, or natural, leaf which we use in the manufacture of our product.

The CHAIRMAN. That is the condition in which you buy it?

Mr. MASSEY. This is the condition in which we buy it from the farmer or from the dealer. We take the stems out of it and twist it up into this shape. [Indicating another sample.]

The CHAIRMAN. Is there anything added to that in the way of preservatives or flavoring extracts?

Mr. MASSEY. Absolutely nothing—nothing whatever. We simply take the stem out of it and twist it up.

The CHAIRMAN. Is that a difficult process?

Mr. MASSEY. No, sir; it is not difficult [illustrating by removing stem and twisting tobacco].

The CHAIRMAN. You are obliged to pay 6 cents a pound tax?

Mr. MASSEY. We are obliged to pay 6 cents a pound tax on this class of goods. Not only that, but we are obliged to keep a complete record of all the tobacco we buy and account to the Government for it, and if this bill were to pass the farmer or our competitors or anybody could sell tobacco in this shape, whereas we would have to pay 6 cents a pound for the same thing with the stem out of it.

The CHAIRMAN. And practically the only manufacture involved is taking out the stem and twisting it?

Mr. MASSEY. Taking it out and twisting it. Of course it has to be put in order before it is twisted to keep from breaking it up.

Senator BURROWS. What do you mean by putting it in order?

Mr. MASSEY. If you will notice, this tobacco I have here, some of it is dry, and I could not even take the stem out of it without breaking it; don't you see [illustrating]?

Senator BURROWS. What do you do to put it in order so that you can take out the stem?

Mr. MASSEY. We dampen it, put a little water on it. Here is some that is already in order.

Senator BURROWS. I simply want to know the steps of the process of manufacturing it into this twist.

Mr. MASSEY. It is simply to get it dampened, either by steam or by water, until it becomes pliable, and the stem may be taken from it. Then it is twisted up into this shape [indicating] and dried and put in boxes.

Senator BURROWS. Then after it is twisted in that shape it is dried also?

Mr. MASSEY. Yes, sir. In other words, it has got to be dried to keep it from molding or musting in the box.

The CHAIRMAN. For the purpose of taking out the moisture that you put in?

Mr. MASSEY. That is all we do—to take out the moisture that we have added to it.

The CHAIRMAN. What is the amount of your business in that kind of tobacco.

Mr. MASSEY. We did a business of about a million and a half pounds last year.

The CHAIRMAN. Where is that tobacco grown?

Mr. MASSEY. This tobacco is grown mainly in Kentucky—this kind, at least; in the southern part of Kentucky, in what is known as the air-cured district.

The CHAIRMAN. Is that one of the districts where the agitation has taken place with reference to this legislation?

Mr. MASSEY. Yes, sir.

The CHAIRMAN. It is not in the district where the dark tobacco is grown?

Mr. MASSEY. It adjoins it very nearly; in fact, it borders on the dark district.

Senator DANIEL. What species of tobacco do you call that?

Mr. MASSEY. It is what is known in our section as the air-cured dark tobacco.

Senator DANIEL. Produced in what county?

Mr. MASSEY. This is produced in Allen, Warren, Barren, and also in other parts of the State, you understand—in Daviess and Breckinridge and several counties in the State.

The CHAIRMAN. Have you any other statement to make, Mr. Massey?

Mr. MASSEY. No, sir.

Senator DANIEL. Mr. Massey, what has been the course of the price of tobacco of that kind, and of the yellow tobacco also, which you call the burly, since the last reduction of the tax? Has it been upward?

Mr. MASSEY. The price has fluctuated with the supply and demand.

Senator DANIEL. That would always be the case, of course.

Mr. MASSEY. I understand; but that has been the course of the market since the reduction of the tax.

Senator DANIEL. How does the price now compare with the price at that time?

Mr. MASSEY. The first year after the reduction of the tax, because of the short crop, tobacco was high—higher than it has been until now. The next year it was low—I think about the lowest price we had had before. That was in 1894, at the time Mr. Strater spoke of a while ago.

Senator DANIEL. It was low then, you say?

Mr. MASSEY. Yes; it was low then. The next year it was a little higher; and since then it has gradually been advancing in price. This year we have gotten the highest prices.

Senator DANIEL. What would tobacco like that sell for now, on the average?

Mr. MASSEY. That tobacco will bring the farmer now from 7 to 8 cents.

Senator DANIEL. How much will it bring you in this shape [indicating]? The farmer, in that shape, gets 7 or 8 cents?

Mr. MASSEY. Yes, sir.

Senator DANIEL. And how much will it bring you in this shape [indicating]?

Mr. MASSEY. We get, net, about 34 cents for it.

Senator DANIEL. And what is the cost to you in changing the tobacco from that form, the cruder form, to this form?

The CHAIRMAN. Do you mean 34 cents tax paid? I did not know whether that was what Mr. Daniel meant or not.

Mr. MASSEY. Do you mean that?

Senator DANIEL. Yes; what do you sell that for in this country?

Mr. MASSEY. We sell this to the jobber at 34 cents.

Senator DANIEL. At 34 cents?

Mr. MASSEY. Yes.

Senator BURROWS. Thirty-four cents a pound?

Mr. MASSEY. Thirty-four cents a pound; yes, sir.

Senator DANIEL. Now, what does it cost you, on an average, to change the tobacco from that crude form, just the untwisted form, into this form?

Mr. MASSEY. That tobacco stands us a cost in our factory, boxed, of about 26 cents a pound.

The CHAIRMAN. That includes the tax?

Mr. MASSEY. Yes, sir.

Senator DANIEL. And you make about 8 cents a pound on it?

Mr. MASSEY. No, sir; we do not make 8 cents a pound on it. There is another expense there between us and the dealer—a very considerable one, sir.

Senator DANIEL. Well, what would be your profit?

Mr. MASSEY. It costs about 5 cents a pound to sell it—to market it.

Senator DANIEL. You make about 3 cents a pound, then?

Mr. MASSEY. We make about 3 cents a pound.

Senator DANIEL. Is that all, as an average, that you make?

Mr. MASSEY. Yes, sir; that is about all we make out of that, and understand, we are only making that out of the manufactured article, which is only about two-thirds of that which we buy.

Senator DANIEL. You mean that is a manufactured article?

Mr. MASSEY. Yes; I mean this: We are only making that profit on about two-thirds of that which we buy.

The CHAIRMAN. In other words, you pay for one-third more pounds than you sell?

Mr. MASSEY. Than we sell; yes, sir.

Senator DANIEL. That is from the reduction on account of the dampness?

Mr. MASSEY. That is on account of the stem.

Senator DANIEL. But you sell the stem?

Mr. MASSEY. Yes; we sell it, but we do not sell it for anything like what we pay for it.

Senator DANIEL. No; but it is an increment, though?

Mr. MASSEY. Oh, yes; yes, sir.

Senator DANIEL. What does it cost the farmer, if you know, to produce that tobacco [indicating] in that form?

Mr. MASSEY. You mean in this form?

Senator DANIEL. Yes, sir.

Mr. MASSEY. In our section—and I have been a farmer myself—we consider that we can produce this tobacco, one year with another, and sell it and make money at 5 cents.

Senator DANIEL. What factor do you make in that calculation of the rental of the land? Are you merely alluding to the labor of production, or are you including in the 5 cents a fair allowance for the value of the land?

Mr. MASSEY. Yes, sir.

Senator DANIEL. You do include that?

Mr. MASSEY. Yes, sir.

Senator DANIEL. You think the farmer can produce that for about 5 cents?

Mr. MASSEY. I know he can.

Senator DANIEL. And then sell it for 7 or 8?

Mr. MASSEY. He can produce it for less than that, because he can afford to raise tobacco when he can get 5 cents a pound for it. I have bought a good deal of tobacco in the country from the farmers; and in my section, in my county, in fact, farmers have told me that they would engage me their tobacco one year after another for 5

cents a pound; they would make a five-year contract to raise tobacco for that price. They calculate on that to get interest on their money and pay for their work.

Senator DANIEL. Do you mean sold delivered at their place, on their farm?

Mr. MASSEY. Sold delivered at my place.

Senator DANIEL. Sold delivered at your place—that is, at your factory?

Mr. MASSEY. Yes, sir.

Senator DANIEL. What profit do you think the farmer could get in selling that tobacco at 5 cents a pound?

Mr. MASSEY. He might sell a small quantity of it to his local dealer for 2 or 3 cents a pound profit.

Senator DANIEL. Selling it at 5 cents? Do you mean he could produce it for 3 cents?

Mr. MASSEY. Oh, I beg your pardon. I certainly did not understand your question.

Senator DANIEL. How much profit per pound would a farmer make on tobacco of that kind, selling it at 5 cents? How much of that 5 cents would be profit to him? Have you ever made the calculation?

Mr. MASSEY. I do not know that I have ever made that calculation. I should think \$15 per thousand—a cent and a half a pound.

Senator DANIEL. A cent and a half a pound. That is a guess on your part, is it, or have you gone through a detailed calculation of it?

Mr. MASSEY. No, sir; I have not gone through a detailed calculation.

Senator DANIEL. Are the tobacco farmers in Kentucky prosperous, as a rule?

Mr. MASSEY. They have been very prosperous in the last year or two, especially in my section.

Senator DANIEL. Have you the Society of Equity out there among the tobacco farmers? Do you know anything about that?

Mr. MASSEY. Yes, sir; we have in some sections. In some sections it does not operate.

Senator DANIEL. Has their course been beneficial to the price of tobacco to the farmer, so far as you know?

Mr. MASSEY. No, sir; I do not know that it has.

Senator DANIEL. I noticed a speech the other day made by Colonel Foote, I think, or Mr. Foote, in Tennessee, in which he said that the recent rises of tobacco were due to that society.

Mr. MASSEY. I have seen such things myself.

Senator DANIEL. What do you think about that? Are they due to it? And what has been the recent tendency, for the last two or three years, in the price of tobacco? What do you attribute it to?

Mr. MASSEY. I attribute it to supply and demand. I do not believe that the Society of Equity has had anything whatever to do with the advance in price.

Senator DANIEL. You think the demand has increased?

Mr. MASSEY. The demand has increased.

Senator DANIEL. On the markets?

Mr. MASSEY. The home market has been considerably more.

Senator DANIEL. There has been a larger demand for tobacco?

Mr. MASSEY. Yes, sir; a larger demand for tobacco.

Senator DANIEL. I suppose the general tendency in the rise of prices, from the fluency of money, would have an effect upon all prices, tobacco included, to some degree, would it not?

Mr. MASSEY. I might say that the Society of Equity has helped the price of tobacco by restricting acreage to a certain extent. That, however, has decreased the supply, you understand. Otherwise it has had nothing to do with it.

Senator DANIEL. Is there much of the restriction of acreage in Kentucky?

Mr. MASSEY. There is in some sections of Kentucky—yes, sir; considerable.

Senator DANIEL. Is it done under any agreement with the members of the society to restrict acreage?

Mr. MASSEY. My understanding is that it is; yes, sir.

Senator DANIEL. And you think that that has helped the price of the tobacco that was sold?

Mr. MASSEY. In that way it has helped; otherwise I think not.

Senator DANIEL. In the last few years, what has been the course and tendency of the price on tobacco of that kind? [Indicating sample in committee room.] Has it been continuously upward? Is it a rising market?

Mr. MASSEY. Yes, sir; it has been for the last three years.

Senator DANIEL. What would such tobacco in that state be sold for by the farmer now, on an average?

Mr. MASSEY. This tobacco is being sold by the farmer now at 7 to 7½ cents on his farm.

Senator DANIEL. Is that tobacco, as a rule, used for export?

Mr. MASSEY. It does not come under the head of export tobacco.

Senator DANIEL. This tobacco that is twisted, I suppose, is made for the home market, in the main; is it not?

Mr. MASSEY. Yes, sir; that is made for the home market.

Senator DANIEL. Is the tobacco in your country made in the main for export or for the home market?

Mr. MASSEY. In the immediate vicinity of my home it is raised for the home market, but in the western part——

Senator DANIEL. What is the largest town in your county?

Mr. MASSEY. Bowling Green.

Senator DANIEL. I thought it was. That is the reason I asked the question.

Mr. MASSEY. Yes, sir.

Senator BURROWS. I want to ask a question for my own information. That tobacco goes into home consumption for chewing and smoking purposes?

Mr. MASSEY. Chewing and smoking.

Senator BURROWS. Anything else?

Mr. MASSEY. No, sir; only for chewing and smoking.

Senator BURROWS. It is not manufactured into snuff or anything of that kind?

Mr. MASSEY. Oh, no, sir; no, sir.

Senator DANIEL. When was this 6-cent tax that you speak of put on leaf tobacco?

The CHAIRMAN. Do you mean when was the tax reduced to 6 cents?

Senator DANIEL. Yes, sir.

The CHAIRMAN. In 1902.

Mr. MASSEY. In 1902.

Senator DANIEL. In the Wilson bill?

The CHAIRMAN. Oh, no; oh, no! It has been reduced twice. It was in 1902.

Senator McCREARY. What was the tax prior to the reduction?

The CHAIRMAN. Twelve cents.

Mr. MASSEY. It was reduced to 9.

The CHAIRMAN. It was first reduced to 9 and then to 6.

Senator McCREARY. What was the tax under the Wilson bill on leaf tobacco in hogsheads?

Mr. CROUNSE. Six cents.

The CHAIRMAN. That was raised by the war revenue act to 12, and reduced by the war revenue modification to 9 and then to 6.

Senator McCREARY. What was it before it was made 6 cents in the Wilson bill?

The CHAIRMAN. We will look up that matter.

Senator DANIEL. Has the variation in the tax affected your business at all?

Mr. MASSEY. I do not know that it has had any particular effect on it.

Senator DANIEL. How do you consider that this bill would operate? What effect do you think it would have on your trade in twist tobacco?

Mr. MASSEY. It would put me out of business.

Senator DANIEL. How so?

Mr. MASSEY. From the fact that this tobacco would be used instead of that. [Referring to samples of tobacco in the committee room.]

Senator DANIEL. People would buy it from the farmer?

Mr. MASSEY. They would buy it from the farmer—indeed, they would—and twist it up themselves. They would not pay me 6 cents for the tax and 4 or 5 cents a pound for labor.

Senator DANIEL. Why could not they buy it and twist it, if there is no tax?

Mr. MASSEY. Because I would have to pay the 6 cents a pound.

Senator DANIEL. You do not think the twisting and the preparation of it would leave you a margin for a pretty good profit after the manipulation of the twist?

Mr. MASSEY. I do not think I understand your question, Senator?

Senator DANIEL. Do you not think that your putting it in that shape would recompense you for that tax and give you a margin for a profit over the cruder form in which the farmer would sell it?

Mr. MASSEY. If I could find a buyer, but I could not find a buyer at that price. I could fix a price that would recompense me, but I could not find anybody who would pay the price.

Senator DANIEL. You think the consumer would send and get that? (Referring to sample of tobacco.)

Mr. MASSEY. Indeed I do; yes, sir.

Senator DANIEL. And you think the profit would go to the farmer?

Mr. MASSEY. I do not know where the profit would go. I would not get any of it, I am sure, as a manufacturer.

The CHAIRMAN. Mr. McCreary, the tax under the McKinley Act was six cents, and it was not changed by the act of 1894 at all. It remained the same.

Senator McCREARY. It was the same under the Wilson bill as it was under the McKinley bill?

The CHAIRMAN. Exactly; and it was put up by the war revenue act of 1898.

Senator McCREARY. Since that time?

The CHAIRMAN. Since that time; yes.

Senator DANIEL. And then dropped.

The CHAIRMAN. And then dropped by two successive drops—first to 9 cents and then to 6.

Senator McCREARY. Yes. I wanted to get back, if I could, to the time when there was not any tax on leaf tobacco. That is the point I wanted to reach.

The CHAIRMAN. The only time that it has been true was under the McKinley Act, but this free provision was repealed by the Wilson Act, and we went back to the old system.

Senator McCREARY. That was the point I wanted to make—that, practically, before the Wilson Act there was no tax on leaf tobacco.

The CHAIRMAN. There always had been up to 1890, however.

Senator DANIEL. None of your stockholders have anything to do with the "tobacco trust?"

Mr. MASSEY. No, sir.

The CHAIRMAN. Senator Daniel asked you about a Society of Equity, which I know nothing of. What is that society? What do you understand it to be?

Mr. MASSEY. Is it an organization in which the farmers pool their tobacco and name a price on it, fixing the price themselves.

The CHAIRMAN. It is formed under a written or an oath-bound agreement?

Mr. MASSEY. An oath-bound agreement, as I understand it.

The CHAIRMAN. To restrict the acreage?

Mr. MASSEY. To restrict the acreage of tobacco, and also to prevent any member of this organization from selling his tobacco without permission from the society.

The CHAIRMAN. Has there been any prosecution of this society under the Sherman Act, so far as you know?

Mr. MASSEY. No, sir.

The CHAIRMAN. It seems to me from your description that it must be in violation of law.

Senator DANIEL. Probably the administration could inform you as to that better than Mr. Massey can.

The CHAIRMAN. I did not know but that he might know, as a matter of fact.

Mr. MASSEY. No; none that I know of.

Senator McCREARY. I can say that there has been no prosecution in Kentucky, and that the Society of Equity in Kentucky is composed of tobacco raisers who form an association for their mutual benefit.

The CHAIRMAN. For the purpose of reducing the acreage and putting up prices?

Senator McCREARY. It is not confined especially to reducing the acreage; but a lot of gentlemen who produce tobacco go in and form the association—

The CHAIRMAN. To prevent competition and put up prices?

Senator McCREARY. No; not to prevent competition.

The CHAIRMAN. Well, that would seem to be the idea.

Senator McCREARY. Nor to put up prices, nor to organize a trust. They organize for the purpose of fighting the trust. That is what they organize for.

The CHAIRMAN. They organize one trust for the purpose of fighting another?

Senator McCREARY. No, sir; this is not regarded by them as a trust; but they organize for the purpose of protecting themselves from the trust.

Senator DANIEL. What do you know about it, now, really, Mr. Massey?

Mr. MASSEY. Of my own knowledge I know very little, for the reason that in the particular section in which I have been dealing the Society of Equity has not yet been organized.

Senator. DANIEL. When you speak about an "oath-bound organization," and all that, you are merely repeating hearsay gossip?

Mr. MASSEY. Yes; it is hearsay and gossip. But I have heard these speeches from the equity organizers, in which they outlined what they were going to do, I suppose.

Senator DANIEL. Name those persons, please.

Mr. MASSEY. I do not know that I can give you the name of any of the speakers whom I heard speak.

Senator DANIEL. Were they speaking on the hustings or just talking around?

Mr. MASSEY. They were public speakers. In fact, they came to Bowling Green a year and a half ago, several of them—I have really forgotten now who the speakers were—for the purpose of organizing the people in that section into what they called the Association of Equity; and I heard a number of speeches in which they outlined what they wanted to do.

The CHAIRMAN. Is this a political organization?

Mr. MASSEY. No, sir; it is not a political organization.

The CHAIRMAN. I suppose we can get some of the representatives of the organization here and find out their purposes. I think it is very important for us to know if they have an organization of that kind in this country.

Senator McCREARY. I expect they would be very willing to testify.

The CHAIRMAN. I think we had better ask them to come. Can you manage to bring some of them here—either you or Mr. Daniel?

Senator McCREARY. I will try. I think we can.

The CHAIRMAN. Somebody who can speak with authority as to what their purposes are.

Senator DANIEL. I understood the witness to say that their object was to regulate the acreage and the price.

The CHAIRMAN. As he understands it. I suppose they would hardly admit that he was a competent witness.

Mr. MASSEY. I understand that.

Senator DANIEL. You do not know, of your own knowledge, anything about it? It is just what you have heard—sometimes a speech and sometimes a talk about it; but this is about the extent of your apprehension as to what it is. Did you ever see the oath they took?

Mr. MASSEY. No, sir. I have not been approached directly on the matter; but from being in partnership with my brother in a little farm and other business, in which we raise some tobacco, I have

understood that he was solicited to join the organization, and he was advised as to its purpose.

The CHAIRMAN. Mr. Daniel, I ought to apologize, in a way, for asking questions about this matter.

Senator DANIEL. Oh, you were perfectly right.

The CHAIRMAN. But you asked the witness some questions which brought out this discussion.

Senator DANIEL. I do not know anything about it, except in a very indifferent, distant way—things that I hear about it.

The CHAIRMAN. That is all, Mr. Massey, unless there are some other questions.

Senator McCREARY. Mr. Chairman, I want to say, as I have been talking about it, that I am not a member of the Society of Equity, but I have many friends who are.

A GENTLEMAN. Mr. Chairman, we have Mr. Allen here—

The CHAIRMAN. Are any other gentlemen present from Louisville? We notified, at their request, some Louisville gentlemen to be present. If there are any others present that wish to be heard, we will hear them now. We will hear you later on, Mr. Allen.

Mr. ALLEN. Yes, sir.

STATEMENT OF W. F. AXTON, ESQ., OF LOUISVILLE, KY.

The CHAIRMAN. State your business, please.

Mr. AXTON. I am a manufacturer of smoking and twist tobaccos.

The CHAIRMAN. Do you belong to the "trust," or are you an independent manufacturer?

Mr. AXTON. I am in no way whatever connected with the trust; I am absolutely independent.

The CHAIRMAN. Have you anything to say in addition to what the other gentlemen have said?

Mr. AXTON. I want to verify some things that they have said. The natural-leaf tobacco, put up in the form that the gentleman had here, would put out of business a great many smaller manufacturers who have manufactured twist and natural smoking tobaccos. I have some of our product here—that is, the natural tobacco without any flavoring whatever in it. It is the leaf simply ground up. A man could take this in his hand, or this [illustrating], and could grind it up and put it in his pipe just that easily [illustrating]; so he would not be willing to pay us the 6-cent tax.

Senator DANIEL. What is the size of that package?

Mr. AXTON. A 2-ounce package; the same package as it was before the Spanish war tax went on; the old 2-ounce package.

Senator DANIEL. What tax do you pay on it?

Mr. AXTON. Six cents a pound.

The CHAIRMAN. The farmer could sell that tobacco substantially in that form without paying a tax if this bill should pass?

Mr. AXTON. Yes, sir; without paying any tax whatever; and the dealers could sell it, and it would not benefit the tobacco growers in our section a particle.

When this bill was up before, I was traveling for a grocery house. My business was selling tobacco.

The CHAIRMAN. You mean when the act of 1890 was in force?

Mr. AXTON. Yes; and about all of this leaf tobacco that was sold was sold by the country people around, who would take it into a store and trade it for merchandise and pay their grocery bills. It was very annoying at that time, and every merchant in the country was complaining of this; and at that time leaf tobacco reached the lowest mark that I have ever known it to reach.

Senator DANIEL. When was that, Mr. Axton?

Mr. AXTON. In 1894.

Senator DANIEL. That was at the time of the financial panic, was it not?

Mr. AXTON. 1893-4. Tobacco at that time reached the lowest figure I have ever known. I do not know what was the cause of it; I would not venture to say.

Senator DANIEL. That was during the financial panic, when the business of the country was paralyzed, was it not?

Mr. AXTON. I suppose that was when we had our financial panic; yes, sir.

Senator DANIEL. Do you mean to say that this tobacco is nothing but a bag—

Mr. AXTON. I will show it to you.

Senator DANIEL. You need not open it—nothing but a bag with a little crumbled leaf tobacco in it?

Mr. AXTON. Granulated leaf; yes, sir.

Senator DANIEL. How do you granulate it?

Mr. AXTON. With machines. We have two or three different kinds.

Senator DANIEL. And if the farmer was to put his tobacco, pinched or crumbled up, into a bag and sell it in that way he would have to pay a tax now?

Mr. AXTON. Yes; but he could put it in this size package [indicating] and the man that got it could mix it or crumble it up very easily.

The CHAIRMAN. Without paying the tax?

Mr. AXTON. It would be deceiving to the consumer in one sense. He would buy this tobacco and would never take into consideration the fact that he was losing a third of it in taking the stem out. He would not consider his labor on that worth anything, where it costs us several cents a pound to granulate this tobacco and pack it in the bags.

Senator DANIEL. May I look at that tobacco?

Mr. AXTON. Yes, indeed.

Senator DANIEL. What kind of tobacco do you call this?

Mr. AXTON. That is a Virginia tobacco, which Mr. Allen just handed me.

Senator DANIEL. Do you know the average price at which such tobacco is sold to the consumer?

Mr. ALLEN. That brought 12 cents, Senator.

Senator DANIEL. Twelve cents would be the average price that that would sell for, on the market, to the farmer?

Mr. ALLEN. Yes, sir.

Senator DANIEL. Now, what would that sell for made into smoking tobacco—is not that it?

Mr. AXTON. That is smoking tobacco. I do not know, now, just what that would sell for. I am simply familiar with Kentucky tobacco. It would sell, I think, for about 30 cents; something like

that. No; it would have to sell for more than that. It would have to sell for 36 or 37 cents to the retail dealer.

Senator DANIEL. Mr. Axton, take a bundle of leaf smoking tobacco, if you please, and state the processes that you would go through to put it on the market in the small bag, and the cost of each process. In the first place, I suppose, you would take the moisture out of the tobacco?

Mr. AXTON. We would take the moisture out.

Senator DANIEL. Now, go ahead from that point.

Mr. AXTON. We would take the moisture out of the tobacco——

Senator DANIEL. And would you take the stem out?

Mr. AXTON. We would put it in the granulating machine.

Senator DANIEL. And take the stem out?

Mr. AXTON. The granulator would attend to that.

Senator DANIEL. Does that take the stem out, or does it granulate the stem?

Mr. AXTON. It takes the stem out.

Senator DANIEL. Yes; that is what I understood.

Mr. AXTON. That is, our granulator does. In some systems it does not, but our system is a little different. It takes the stem out. It not only takes the stem out, but it takes the fiber out of this tobacco, and it leaves it without stem or fiber; and in doing that it makes a great deal of dust. We think we are getting along very well if we can get 58 per cent of the manufactured product out of the leaf. We have a great deal of scrap that we have to sell, that we can not get out of it in marketable shape.

Senator DANIEL. But that is good for snuff, is it not?

Mr. AXTON. No; we get scarcely anything for that. We have been selling it for \$10 a ton. We now get \$20 a ton for it.

Senator BURROWS. What is the next step? You were telling the process.

Senator DANIEL. Yes; just go on with the process.

Mr. AXTON. We granulate this tobacco and pack it in bags, then in cartons, then in boxes, and then in cases. That tobacco is sold through the wholesale grocery house, which in turn sells it to the retail dealer by our traveling men, who introduce this tobacco over the different sections of the country. That tobacco is made out of tobaccos grown over the Green River section of Kentucky and the burly section.

I will state that I have bought tobacco from the American Society of Equity.

Senator DANIEL. Does the "tobacco trust" operate in Kentucky?

Mr. AXTON. The American Tobacco Company does.

Senator DANIEL. Is there any other tobacco trust?

Mr. AXTON. The Imperial Tobacco Company—that is the English combination, or what is known as the English trust.

Senator DANIEL. That is affiliated with the American Tobacco Company, is it not? It is all one, is it not?

Mr. AXTON. I understand that the American Tobacco Company have about 3 directors out of 27 on the board of the English company. I know nothing about that. That is merely a matter of hearsay.

The CHAIRMAN. You say you buy tobacco from the American Society of Equity?

Mr. AXTON. I have done so; yes, sir.

The CHAIRMAN. Are they tobacco dealers as well as producers?

Mr. AXTON. They take this tobacco and they pool it. The farmers pool all their tobacco—that is, not all the farmers, but some of the farmers pool their tobacco with the American Society of Equity; and then they sell this tobacco to whoever they can. I think I was the first manufacturer—I know, in fact, that I was the first manufacturer—to ever buy any tobacco from the American Society of Equity.

Senator DANIEL. What is the process of pooling? Do you mean that they carry all the tobacco to one warehouse?

Mr. AXTON. They take that tobacco to the American Society of Equity.

The CHAIRMAN. They have warehouses, do they?

Mr. AXTON. They have warehouses.

The CHAIRMAN. Are they incorporated?

Mr. AXTON. I do not know whether they are incorporated or not. The American Society of Equity is an organization of farmers, and they operate different branches in that way. Their idea is, as I understand it (through the newspapers and from hearsay), to get a better price for all their products. In our country they have restricted the quantity of tobacco to be raised. My former home, Senator, is Owensboro; that is the first place the American Society of Equity ever pooled any tobacco.

Senator McCREARY. In Daviess County?

Mr. AXTON. In Daviess County. There they have restricted the acreage. They allow 10,000 hills of tobacco to each hand that a man has on his farm. That is, their members only raise 10,000 hills for each hand. The Senator said, before the statements began, that all the farmers were in favor of this bill.

Senator McCREARY. I meant all that I had communicated with, and I met a very large number.

Mr. AXTON. I have met a great many farmers, these people that at first thought they were in favor of the bill, but after having it explained to them were not. Among them were some of the leading officers of the American Society of Equity, and very intelligent farmers at that.

Senator DANIEL. Give us the names, if you please, of those persons.

Mr. AXTON. Thomas Barrett, of Henderson, who is the chairman of the selling committee, is one of them. I was talking to him a few weeks ago, and he told me he was heartily in favor of the bill. I was explaining to him my side of the question as I have explained it here, about putting out of business the men that they have to depend on for competition; and he said that he saw very clearly now that it was not a good thing for the farmers.

Senator DANIEL. Any others besides him?

Mr. AXTON. Yes, sir; Mr. S. B. Lee, who is the executive chairman of the selling committee of the American Society of Equity.

Senator DANIEL. Where does he live?

Mr. AXTON. His home is in Fordsville.

The CHAIRMAN. Fordsville, Ky.?

Mr. AXTON. His home is really in Owensboro. He is putting up tobacco in Fordsville, Ky. That is in Ohio County. He told me he was not nearly as much in favor of this bill as he had been; and I have

heard the same thing through a good many others. Sam Ewing, who is one of the largest farmers in Daviess County, told me he was against this bill.

Senator DANIEL. Where does he live?

Mr. AXTON. He lives in Daviess County.

Senator DANIEL. Where?

Mr. AXTON. In Owensboro, Ky. He tells me that he thinks this would be a detriment, and other farmers—a good many of them—have told me the same thing.

Senator DANIEL. Are they leaders in the Society of Equity?

Mr. AXTON. They are not opposed to the Society of Equity. They are in the Society of Equity. I do not know how many of these men I have talked to are. I do not know whether Mr. Ewing is or not.

The CHAIRMAN. Is this a secret society, do you understand?

Mr. AXTON. Really, I do not know. I do not know how that is, Senator. I do not know whether it is or not—whether they have any secret work or not.

Senator BURROWS. I understood you to say they had a selling committee. Is that a body of men who do the selling for the whole society, or is there one man having in charge the selling of the product?

Mr. AXTON. No; they have a separate body of men in the different districts. In the Green River district they have several people that meet and say when they will sell this tobacco and whether they will accept certain prices for it or not.

The CHAIRMAN. It is a cooperative society, as a matter of fact, I suppose. That is, they try to get all the farmers into it and cooperate for their general good. That is the purpose of it, I presume?

Mr. AXTON. That is its purpose, as I understand it.

Senator DANIEL. Is it a chartered or incorporated society?

Mr. AXTON. Really, I do not know. I do not know very much about that. I simply know from dealing with them what I have stated to you and from seeing it in the daily papers.

The CHAIRMAN. Do they make out their invoices to the American Society of Equity? What do you know about that?

Mr. AXTON. I think their invoices come from the house where the tobacco is sold. We make the payment to these different houses, individually.

The CHAIRMAN. We shall have to bring this hearing to a close. The gentlemen present from Virginia are not so far away, I suppose, but that they can come here at some other time.

Mr. WILLIAMS. We have two short papers, about 2 pages of typewritten matter, that I can read in two minutes; or I can file them with you. We can do either, just as you wish. We are coming here purely from what we consider a public duty to our fellow-members of the trade, and also, really, in behalf of what we think is the true interest of our farmers. It is not very easy for us to come, and if possible we would like to file or lay before you these short papers, not taking over, I think, two minutes and a half.

The CHAIRMAN. I should be very glad, if you had the time, to have you come here and give us a chance to ask you some questions, because this matter is of such a character that we want all the information we can get upon it. But of course I do not like to put you to any inconvenience. We shall have to have, I assume, further hearings. I have a large number of communications from gentlemen all

over the country who want to be heard, and I assume that we shall have to have further hearings. If it would be equally convenient for you to come up here at some other time, Senator Daniel could advise you about the meetings.

Senator DANIEL. You got my telegram, did you?

Mr. WILLIAMS. Yes, sir.

Senator McCREARY. Can you fix another day now, Mr. Chairman? I am going to write to a couple of gentlemen who know all about the Society of Equity. You desire to hear some of them, I believe?

The CHAIRMAN. Oh, I think it is very important, from the statements that have been made here to-day, that we should.

Senator McCREARY. I will have them come here and testify.

A GENTLEMAN. I think Mr. Williams can give you a good deal of information in regard to the Society of Equity while you have this matter up. He can give it to you in five minutes.

Mr. WILLIAMS. Mr. Chairman, I do not know that that is entirely correct, because I am operating and buying tobacco a great deal in Kentucky and have been brought in contact——

The CHAIRMAN. Suppose you give the stenographer your name and address.

STATEMENT OF F. D. WILLIAMS, ESQ., OF RICHMOND, VA.

Mr. WILLIAMS. I am a member of the firm of Williams & Rehling, leaf-tobacco dealers. Do you care to hear just a short report that I would like to file?

The CHAIRMAN. Oh, yes; and I am especially desirous of hearing something about this Society of Equity.

Senator McCREARY. Are you a member of the Society of Equity?

Mr. WILLIAMS. No, sir.

Senator McCREARY. This witness is not a member of the Society of Equity, Mr. Chairman.

The CHAIRMAN. But these gentlemen have said that he could give us some information about it.

Mr. WILLIAMS. I want to give you some information that is currently accepted by the trade, by general announcement in the papers, and by the general actions of the people with whom we deal.

The CHAIRMAN. I think that is pertinent. You can make your statement.

Mr. WILLIAMS. I will say, briefly, that in behalf of the tobacco trade of Richmond, Va.—(After a consultation:) The chairman of our committee, Mr. Chairman, says that probably, rather than hurry through this matter, we had better come when it suits your convenience.

The CHAIRMAN. I think that would be better, really, because we shall all have to go into the Senate very soon. Mr. Burrows has already had to go. I will confer with Senator Daniel, and we will fix some time for you to be heard.

Senator DANIEL. I would like to have it as soon as it possible to get a hearing on this subject.

Mr. WILLIAMS. We came, as you understand, by appointment with Senator Daniel.

Senator DANIEL. I informed Mr. Ringgold.

Mr. WILLIAMS. He wired us that we would have a hearing to-day. Senator DANIEL. They were so instructed by me.

The CHAIRMAN. I notified a limited number of these people who have asked for hearings.

Mr. MILLER. Mr. Chairman, I would like to say that I represent the Independent Tobacco Manufacturers' Association of the United States, and I have a little memorial here that I would like to present.

The CHAIRMAN. Yes; I saw that. We will notify you of the time of our next meeting if you will leave your address with the clerk.

Mr. MILLER. I supposed I got that from your secretary last week, when our association was meeting here. We called here and were given to understand that the committee would hear us.

The CHAIRMAN. We will give you a chance to be heard. Can you come at some other time just as well?

Mr. MILLER. I presume we will have to, because we think this matter is of importance, and that we should be heard.

The CHAIRMAN. We will give everybody a chance who wants to be heard. We have on file a large number of applications and we hope to give them all a chance to be heard.

Mr. CROUNSE. Mr. Chairman, on behalf of the National Cigar Leaf Tobacco Association, which is an entirely different branch of the tobacco business from that which has been heard this morning, I wanted to ask for time for Mr. Bijur, the president of the organization, and also for a representative of the National Cigar Manufacturers' Association. The issue with them is an entirely different one from that which has been presented here; but they are quite as strenuously opposed to the bill as anyone else. They would like to be heard, and they can come at any time. I would suggest, however, that they come after the tobacco manufacturers, so called, have been heard.

The CHAIRMAN. My engagements are such that I can not now fix a time for a hearing next week, Mr. Daniel, but we might have another one this week—later on in the week.

Senator DANIEL. I think the sooner we have it the better.

The CHAIRMAN. This is Wednesday; on Saturday I could give an hour to the matter.

Senator McCREARY. I hope it will be convenient, Mr. Chairman, to have a meeting on Saturday. I can have some witnesses here that you said you wanted to hear on the subject.

The CHAIRMAN. Yes; we will divide the time. I think we will probably have to do that hereafter, because we have heard to-day only the opponents of the bill. Then we will have a meeting Saturday. Suppose that on Saturday we hear the Virginia people. The Michigan manufacturers want to be heard, and we have quite a number of others who have asked us to hear them.

Senator McCREARY. When could you hear the Kentuckians who are favorable to the bill?

The CHAIRMAN. We might give them half of the time on Saturday. We will give them three-quarters of an hour on Saturday and the Virginians the other half of the time.

Mr. ALLEN. Mr. Chairman, for the Virginia people—

The CHAIRMAN. Would Saturday suit you?

Mr. ALLEN. Can you not make it later?

The CHAIRMAN. Oh, yes; some time next week.

Mr. ALLEN. That would not suit us at all.

The CHAIRMAN. Could you come on Saturday?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. Then suppose that on Saturday we hear this organization of independent manufacturers and your people from Kentucky.

Senator McCREARY. If I can get them here. That is three days off.

The CHAIRMAN. If you can not, we will let it go over until next week. There will not be any harm done; and we will notify you, Mr. Miller, in any event.

Mr. MILLER. If you say Saturday will suit you, that is notice enough; I will be here.

The CHAIRMAN. The only thing is that I want also to consult the convenience of Senator McCreary about it. We will have a meeting on Saturday if these gentlemen can come here by that time. If not, we will notify you.

Senator McCREARY. We will arrange then for Saturday, unless the gentlemen can not get here by that time.

The CHAIRMAN. But we will not try to hear the Virginia gentlemen or Mr. Crounse then. We can not do it. We will have to let them go over until some time next week. If we hear Mr. Miller and the Kentucky gentlemen then, we shall have to confine ourselves to that.

(The committee thereupon adjourned.)

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C., Monday, February 18, 1907.

The subcommittee met at 10.30 o'clock a. m.

Present: Senators Aldrich (chairman), Burrows, and Daniel of the committee.

Present, also, Senator McCreary, of Kentucky; Senator Carmack, of Tennessee; Representative James, of Kentucky; Representative Stanley, of Kentucky; William L. Crounse, esq., W. F. Axton, esq., H. D. Miller, esq., Charles H. Fort, esq., John B. Allen, esq., Joel B. Fort, esq., and others.

The CHAIRMAN. Whom do you wish to have heard first?

Senator McCREARY. Mr. Charles Fort, who is the president of the Dark Tobacco Association.

STATEMENT OF CHARLES H. FORT, ESQ., OF ADAMS, TENN.

The CHAIRMAN. Please state your name and address.

Mr. FORT. Charles H. Fort, Adams, Robertson County, Tenn.

The CHAIRMAN. What position do you occupy? Do you appear here as the president of the Dark Tobacco Association?

Mr. FORT. Yes, sir.

The CHAIRMAN. Just give the official name of the association.

Mr. FORT. The Dark Tobacco Planters' Protective Association of Kentucky, Tennessee, and Virginia.

The CHAIRMAN. You wish to make a statement in favor of the pending bill, do you?

Mr. FORT. Yes, sir.

The CHAIRMAN. You may proceed in your own way.

Mr. FORT. Mr. Chairman and gentlemen, I feel it an honor to appear before this august body. I want to say that I am a tobacco raiser. I was born on a farm; I still live on a farm, and have no other vocation than to raise tobacco for a living. I am here to represent my people, who, I feel, are oppressed and are downtrodden by the conditions that have been placed upon us by the tobacco trust. I came all the way from Tennessee, a sick man; I got up out of my bed, sick, and paid my own expenses to appear before this body to beg you and plead with you to give us relief.

Gentlemen, I appear before this committee more as a witness than I do as a speechmaker. I am a farmer and never made any speeches in public in my life. But I would like to have the committee understand that my earnestness and my desire and my love for my people prompt me to do my duty always; and although it is embarrassing, I could brave any kind of storm for the benefit of my people.

In our dark-tobacco country we have been placed under very peculiar conditions since the operation of the trust. Years ago we had competition. We sold our tobacco often as high as \$20 a hundred. But before this association was organized, in September, 1904, the average price of tobacco over the dark belt was between three and four dollars a hundred. We intelligent farmers met in Robertson County one of our neighbors and friends, Mr. F. G. Ewing, who is the general manager of our association, and who, by the way, is a grandson of old Philip Grundy; and we worked all day in a painstaking way to determine the cost of a pound of tobacco to our people. We found that it cost us then 6 cents a pound; but owing to the price of labor going up, and its scarcity, we can not raise tobacco now, gentlemen, for less than 7 cents a pound; and we had our lines prescribed and mapped out in that country so that we had no competition in the world. We had to sell our tobacco as they said.

Representative JAMES. Who had done this?

Mr. FORT. The trust. The Italian people were the ones that were hurting us more than anything else.

The CHAIRMAN. You will have to ask questions through the members of the committee.

Mr. JAMES. All right; I just wanted to make that suggestion so that it would be plainer to the committee.

Mr. FORT. Gentlemen, I would be very glad if you would ask me questions, because I really—

Senator McCREARY. Mr. Chairman, if I may be permitted, I will state that I know Mr. Fort, and I believe that if he is allowed to go on and give his own view of the bill, and the reasons why he wants it passed, it will be better.

The CHAIRMAN. That is the reason I called attention to the rule of the committee.

Mr. FORT. I was simply going to try to explain, gentlemen, the conditions, and then give the reasons why we want this bill passed.

I remember that on one occasion there was a buyer of one of these Italian Regie companies that came to me to buy my tobacco, and I knew from my experience in previous years that unless we sold that tobacco

at the first offer we would have to take what they would give us. He came to my house and made me an offer for my tobacco, and I knew that I had to sell, for there was no other way in the world to sell it, no other recourse, and I sold it to him. He was on his way to one of my neighbors. We had telephones in the house, and I telephoned to my neighbor before this buyer got to his house and told him that he had better take the first offer; that unless he did he would knock him down. The neighbor could not take the offer that day because his share hands and tenants were not convenient, and he could not take the liberty of selling their tobacco without their consent and authority. So the buyer said to him: "You had better take this offer; when I come to-morrow I will give you less." In two days from that time this neighbor went to accept the former proposition and he knocked him down a hundred dollars on a \$600 crop; and, gentlemen, he kept going lower and lower until he got \$250 below the first offer.

Those are only part of the conditions that exist down in our country. The reason why we want this tax taken off tobacco is this: We are patriotic, unselfish people. We want competition, and we feel—in fact, I know from my own personal experience—that if this tax is taken off tobacco it will give us liberty of action to a certain extent, and give us an outlet by which we can sell part of our tobacco at any rate.

I was working for the Government several winters ago. I have a brother with whom I am in partnership on a farm, and I was helping to run a Government contract down on the Mississippi River, and we had a commissary there. Some of our tobacco was sent down to that commissary, and I could have sold every pound of the tobacco raised on our farm that year to good advantage had it not been for the 6 cents a pound tax on it. Gentlemen, it has us handicapped. It has us stifled, as it were.

I admit that these buyers have a grievance; but, gentlemen, there is one thing this august body must remember: My father and grandfather were slave owners, and they had educated themselves to believe that it was right and just to own slaves—to keep the negroes slaves. They had spent their money and paid for these slaves; and in one sense it was right. But time has developed that it was wrong. Now, these tobacco manufacturers and these tobacco men have educated themselves to believe that we farmers ought to be serfs and ought to be slaves on the farm, to make tobacco for them below the cost of production; and they want to keep us as slaves, because they have educated their conscience along that line. Gentlemen, for the sake of humanity, for the sake of the producer, we appeal to you for this relief. What would this country do without the producer, gentlemen? I ask that question. My ancestors came from old North Carolina with Andrew Jackson and fought the Indians and the British with him, side by side. We represent a class of people down there in Kentucky and Tennessee that are as pure-blooded and as game and as brave and as chivalrous a people as the world ever saw; and I want to say that we come because we think our cause is just; our cause is right.

Senator Carmack, if there are any questions you would like to ask, I will be glad to answer them.

The CHAIRMAN. Senator Carmack is not a member of the committee.

Mr. FORT. I beg your pardon.

Senator McCREARY. I would suggest, Mr. Chairman, that Mr. Fort confine himself to his reasons for wanting the 6-cent tobacco tax removed.

The CHAIRMAN. We do not like to put any restraint upon witnesses. I think think we had better let him go on his own way. When he gets through we may ask some questions.

Senator McCREARY. I wanted him to do that in the beginning, but he had gone on in his own way until he had gotten to the point where he said he would like to be asked questions.

The CHAIRMAN. If you have gotten through with your statement, we will ask you some questions, Mr. Fort.

Mr. FORT. Well, gentlemen, I have nothing further to say, unless the committee wish to ask some questions. You see, being a farmer, I do not know exactly what you want.

The CHAIRMAN. We asked you to come here, at Senator McCreary's request, to give the reasons why, in your judgment, this bill ought to become a law.

Senator McCREARY. That is the point.

Mr. FORT. I have tried to state part of the reasons why we want this bill to become a law. It is because we are handicapped; we have no competition, and we are "balled up," you might say. With this tax removed from tobacco we can sell our tobacco through the Southern States. You will understand, gentlemen, that now, the way this tax is on tobacco, and the way the farmer's and the producer's hands are tied, he can go along and get on a wagon and can sell his tobacco out in hand; but he can not hire a merchant—he can not hire anybody—to sell that tobacco for him. Of course I can not leave my farm in Tennessee to go down through the southern country on a wagon myself to sell the tobacco. But if you will give us liberty of action and untie our hands we can hire men to go out with this tobacco and sell it for us. The work involved in producing tobacco is the hardest labor on earth, gentlemen. There never was any work on earth as laborious and as tedious and tiresome as that of the man who toils and raises tobacco. It is a slave's work, and he ought to have good money for his labor. But for the last ten or twelve years we have not been getting what it actually cost us to produce the tobacco.

I think that is about all the statement, gentlemen, that I wish to make. I am not a long-winded person.

The CHAIRMAN. You are the president of the Dark Tobacco Growers' Association?

Mr. FORT. Yes, sir.

The CHAIRMAN. How long have you been president?

Mr. FORT. Since September 24, 1904.

The CHAIRMAN. Was that the time of the organization of this association?

Mr. FORT. Yes, sir; we had what was called the Dark Tobacco Growers' Association, formed two years prior to that, but that only comprised a few kinds. This was on a broader basis than the original organization.

The CHAIRMAN. Is it an incorporated company?

Mr. FORT. Yes, sir.

The CHAIRMAN. Will you please file with the committee a copy of your charter? Have you by-laws?

Mr. FORT. I have not them with me.

The CHAIRMAN. You can forward them to the committee, can you? We would be very glad to have them.

Mr. FORT. Yes, sir; I will be pleased to do so.

The CHAIRMAN. Have you by-laws?

Mr. FORT. Yes, sir.

The CHAIRMAN. Are the members of your association bound by an agreement? If so, in what way?

Mr. FORT. We have a pledge; we have an individual pledge that we will protect each other. It is a protective association, Mr. Chairman. We have no oath; we have no secrets; we are honest and aboveboard.

The CHAIRMAN. Can you give us the form of the pledge that you take?

Mr. FORT. I can state it in a brief way. (Addressing a gentleman in the room:) Have you one of the pledges?

The GENTLEMAN. No; I have not.

The CHAIRMAN. Will you please furnish the committee with the pledge, then?

Mr. FORT. Yes, sir; I will with pleasure. I will furnish the committee with the pledge, and also with the charter and by-laws and the constitution.

The constitution and pledge referred to are as follows:

CONSTITUTION OF THE DARK TOBACCO DISTRICT PLANTERS' PROTECTIVE ASSOCIATION.

ARTICLE 1. This association shall be known as the Dark Tobacco District Planters' Protective Association.

ART. 2. The object of the association shall be to assist each member in grading and selling his tobacco.

ART. 3. The government of the association shall be vested in a board of directors, consisting of a president, vice-president, and secretary-treasurer (the latter two offices to be filled by one man). The president, vice-president, and secretary-treasurer are to be elected by viva voce voice, after a resolution has been offered and adopted at the mass meeting at Guthrie, Ky., on the 24th instant, that we be, and are, an association. The president, vice-president, and secretary-treasurer each become an ex officio member of the executive committee of the association. In the event of disability or absence of the president, the vice-president, or secretary-treasurer shall in turn preside at meetings of the general board of directors or of the executive committee, and other directors to be elected as hereinafter provided, a majority of whom shall constitute a quorum.

ART. 4. The board of directors shall have power to make and amend by-laws and do and transact all business of the association not herein delegated to committees. It shall be the privilege of the board of directors to instruct any committee, appointed or elected; submit for the consideration of the general board any momentous question before decisive action is taken, when a majority of said directors indicate by writing their wish to have such subject submitted for their reconsideration.

ART. 5. The executive committee of the association shall consist of one person from each of the respective counties represented in this Dark Tobacco Association, and shall be elected as follows: The members of the board of directors from each county shall elect from their number a chairman and vice-chairman from their respective representation, and the chairman so chosen shall be ex officio a member of the executive committee of this association. When by absence or duties which associate said chairman entirely with the executive committee and renders it impractical for him to preside at meetings of the county board of his respective county, the vice-chairman immediately assumes the duties of the chairman as relates to the county board. When by disability or absence of said chairman from the deliberations of the executive committee, the vice-chairman immediately assumes his duties as a member of said executive committee.

FREE TOBACCO BILL.

The duties and powers of the executive committee shall be as follows: To investigate the prices and best market for selling tobacco; to sell to the best advantage the tobacco crops of each and all the members of this association, either at barn of each member, through warehouses, or brokers, or otherwise as they deem best, to exercise a general supervision when they deem it best to do so, over the grading of the tobacco of each member of this association by buyers, warehousemen, brokers, or licensed inspectors—as to the inspection—as in their judgment seems advisable, to the end that no mistake is made or fraud committed to make agreements with such warehousemen or brokers as are recognized and are recommended by this association; that their books, so far as they relate to transactions with any member of this association, shall at all times be subject to the inspection of this committee or a subcommittee; to sell the tobacco to such person, persons, or corporations for such sum or sums of money in cash as in their judgment may seem best, the proceeds of sale, however, to be paid direct by the buyer, warehouseman, or broker to the member of the association owning the tobacco. There is nothing in this article that would warrant said executive committee in making a good crop of tobacco sell an inferior one. Where a very large amount of tobacco is wanted by a purchaser, some fine and some of the common grade, the committee is expected to see to it that the price of the better grade is not lowered by the sale of the commoner.

ART. 6. The board of directors shall be elected as follows: Each district of each county represented in this association shall hold an annual election on the ____ day of ____ each year and choose a representative to act as one of the directors of this association for the ensuing year.

ART. 7. This association being organized and officered alone for the protection of the tobacco planters each member of the association, on becoming a member, obligates himself and binds himself to obey all legal and reasonable rules and regulations made by the general board of directors and executed by the executive committee and members of this association. Each member realizes that without a united effort and willing obedience to the action of the executive committee no good can be accomplished. Each member of this association also obligates himself to use his influence and strong endeavor with those tobacco planters who are not members of this association to become members. It is understood that no member of this association is to receive a salary for services rendered, but realizing that it may become necessary to employ expert sales men or handlers of tobacco in disposing of same each member of this association agrees and binds himself that his crop of tobacco shall bear a reasonable and pro rata part when sold of such expense as the executive committee deems necessary to an advantageous sale of the whole crop of the tobacco district.

It is agreed and made a part of this instrument that it is not operative until 70 per cent of the crop has been secured.

PLEDGE.

We, the undersigned persons, whose signatures appear below, hereby appoint, engage, and employ, irrevocably, The Planters' Protective Association of Kentucky, Tennessee, and Virginia (Incorporated) as our sole agent, to sell for us our respective crops of tobacco to be raised by us, or that we may own or control, during years 1906, 1907, 1908. We agree and bind ourselves to it, to prepare for market all the tobacco we may raise or own or control during the years 1906, 1907, 1908, in the way or manner it may designate, and deliver the same at places and to persons it may name, and allow it to have full and complete control of the same, and agree to abide by and conform to all its decisions and acts, and to fulfill all its contracts and agreements connected with the preparation, delivery, and sale of said tobacco:

Name.	Address.	Date.	Number of acres in farm.	Number of acres in tobacco.

The CHAIRMAN. What is the purpose of the organization?

Mr. FORT. The purpose of the organization is to advance the price of tobacco above the cost of production, so that we can get an honest living out of it. At that time we were not getting what it actually cost us, and we could not live under those conditions.

The CHAIRMAN. You are seeking to get an agreement upon the part of all the producers of tobacco to join your association for the purpose of fixing the price?

Mr. FORT. No, sir.

The CHAIRMAN. Advancing the price, I think you said?

Mr. FORT. Advancing the price to a living basis.

The CHAIRMAN. And you try to get all the producers of tobacco to join with you for that purpose?

Mr. FORT. All those that raise the dark tobacco.

The CHAIRMAN. That is what I mean—yes; all the people engaged in raising dark tobacco?

Mr. FORT. Yes, sir.

The CHAIRMAN. Have you any other purpose? Do you try to restrict the acreage?

Mr. FORT. Well, I do not know that; we have not yet.

The CHAIRMAN. What methods do you use in endeavoring to get the other producers to join with you?

Mr. FORT. We simply ask them to cooperate with us.

The CHAIRMAN. Do you ever use suggestions to them that it is to their interest to join with you?

Mr. FORT. Yes, sir. We would not ask them if we did not think it was to their advantage and for the mutual protection of all of us.

The CHAIRMAN. You use whatever powers of persuasion you can to induce them to join?

Mr. FORT. Yes, sir.

The CHAIRMAN. Does your association undertake to fix the prices at which dark tobacco shall be sold?

Mr. FORT. Our object has been, as I told you, Mr. Chairman, to advance the price of tobacco to a living price to the producers. We have never tried to be exorbitant. All we ask is a living price.

The CHAIRMAN. That was not quite my question. I asked you if you undertook to fix the price at which dark tobacco should be sold?

Mr. FORT. Well, I suppose I will have to answer that question in the affirmative. Of course we want to fix the price so that we can live.

The CHAIRMAN. And you have, as a matter of fact, fixed the price at which tobacco shall be sold?

Mr. FORT. The first year we had 23,000 hogsheads; the next year we had 35,000; and this year we will have 50,000 hogsheads in Kentucky and Tennessee. We ask a certain price, and, like a man would ask a hundred dollars for a mule, if we can not get a hundred dollars, we will take seventy-five. The trust had us boycotted the first year, and we had to sweat blood; and finally we sold to the Italian Regies in one lot 5,000 hogsheads. We sell to everybody, all over the world. We do not try to sell to one individual man, or try to stifle all competition. Our idea is to "live and let live." That is the motto we live under.

The CHAIRMAN. But you have a fixed price on the various grades?

Mr. FORT. Our committee—

The CHAIRMAN. Your committee does fix the price?

Mr. FORT. They get together and say what we want for Italian A's, B's, and C's. Then, of course, if we can get that we do it; if we can not, we take what we can get.

The CHAIRMAN. What portion of the producers of the dark tobacco that is grown in Tennessee and Kentucky are included in your association?

Mr. FORT. Do you mean the counties?

The CHAIRMAN. No; what proportion of all the growers of the dark tobaccos in Tennessee and Kentucky are included in your association?

Mr. FORT. Well, that depends. In some counties at least 90 per cent are in the association; and then there are some counties that have not more than 10 per cent. We have from 50 to 60 per cent, perhaps 75 per cent, as a whole, in our association.

The CHAIRMAN. I presume you try to induce other producers who are not in the association to fix their price along the line of the prices which you fix?

Mr. FORT. No, sir; we do not, unless the man belongs to our association.

The CHAIRMAN. I mean by persuasion. I do not mean that you try to force him to do it, of course.

Mr. FORT. No, sir. Mr. Chairman, our association works through a committee, and this committee is a democratic form of government. Each district in Kentucky and Tennessee has its district chairman. These district chairmen meet together and elect their county chairmen, and these county chairmen comprise the members of the executive committee. The executive committee is the body that transacts all the business for the association.

The CHAIRMAN. Do you sell your tobacco through some committee?

Mr. FORT. The executive committee has charge of the tobacco.

The CHAIRMAN. They sell the tobacco?

Mr. FORT. Yes, sir.

The CHAIRMAN. And who are your principal customers?

Mr. FORT. We have the Italian Regies; we have the Austrians; we sell to all the people that buy the dark tobacco. You understand that there is about 80 per cent of our tobacco, Mr. Chairman, that is export tobacco. We sell to Africa and Italy and France and Germany and Belgium.

The CHAIRMAN. That 80 per cent is not affected by the internal-revenue tax, I suppose?

Mr. FORT. I do not think so.

The CHAIRMAN. So that only 20 per cent of your crop in any event is sold in this country. Is there any combination between the representatives of these foreign companies and what you call the "trust," do you think?

Mr. FORT. Well, it seems there has been a very strong compact between them. They had us boycotted and had us sweating blood down there for about a year. They bought our tobacco below the cost of production. After we tried, as a brave lot of men, to sustain ourselves and to exact what was just and right, they combined themselves together and said, "We will not buy a pound of your tobacco. We will crush you." And we Tennesseans and Kentuckians just

determined that we were a little bit braver and gamer than they were, and that we would die, we would starve, before we would allow those people to run over us and trample us in the ground any longer.

The CHAIRMAN. What steps did you take to sustain yourselves other than the formation of this association?

Mr. FORT. We just made up our minds that we would hold our tobacco and we would die in the ditch and we would starve before we would ever sell it to them unless they gave us our price, or as near to it as would be a living price.

The CHAIRMAN. Do you know Mr. Henry W. Taft and the other gentlemen who have been investigating the so-called tobacco trust in your State?

Mr. FORT. I know of them; I do not know them personally.

The CHAIRMAN. Did any agents of the Department of Justice ever investigate your organization or question you in regard to its purposes?

Mr. FORT. They never have questioned me.

The CHAIRMAN. You are not certain about the other members of the association, I suppose?

Mr. FORT. No, sir.

The CHAIRMAN. Are you familiar with the destruction of certain factories or warehouses in your district?

Mr. FORT. Do you mean of the dealers?

The CHAIRMAN. Yes; the warehouses of dealers. I noticed in the newspapers statements in regard to two or three different establishments that have been destroyed by dynamite.

Mr. FORT. I do not know a thing in the world about that, Mr. Chairman. Our association, as I said a while ago, have no secrets in the world; and we are as law-abiding a lot of citizens as Kentucky or Tennessee or any country in the world ever saw. I challenge any newspaper or any man to show one scintilla of evidence that I ever uttered, by speech or letter or newspaper, one word to encourage lawlessness. On the other hand, we have always discouraged it. We have offered rewards; and I want to state right here, Mr. Chairman, in regard to all those troubles down there, that I defy anybody to prove that any of our members have ever been implicated in any of those lawless acts.

Senator McCREARY. Mr. Chairman, on the contrary, his association, as I understand it, has condemned and opposed violence in every way.

Mr. FORT. We have offered rewards for the conviction of those people. I understand that at Princeton they arrested one man, and he was a railroad man. They never have implicated a single one of our members.

Gentlemen, I will tell you that the ways of the trust are many. I do not know who destroyed those factories; but I know that, as president of the association, we never have been able to locate who did it. They have scraped plant beds, as they call it, down in our country, and we have never been able to implicate a single one of our members in that; but, on the other hand, we did implicate one of the enemy's men who had scraped his own plant beds to prejudice our cause.

The CHAIRMAN. Who do you mean by "the enemy?"

Mr. FORT. The trust. They have been our enemies.

The CHAIRMAN. What trust do you mean?

Mr. FORT. The tobacco trust.

The CHAIRMAN. What is the name of the company that you refer to?

Mr. FORT. Well, there are a good many—the American Tobacco Company and the Imperial Tobacco Company.

The CHAIRMAN. Do the American Tobacco Company buy dark tobacco?

Mr. FORT. I understand that they buy it—at least they have it bought for them. I do not know anything in the world, now, gentlemen, about the manners and customs of the trust.

The CHAIRMAN. You have been stating with a great deal of freedom about what was done by “the trust,” however; and I want to find out what you mean by that.

Mr. FORT. Well, I know they get our tobacco, but they get it indirectly.

The CHAIRMAN. Just how does the American Tobacco Company affect you? In what way?

Mr. FORT. Well, if they have stifled competition——

The CHAIRMAN. How have they stifled competition if they do not buy your dark tobacco?

Mr. FORT. They do not do it unless they buy it; but I say they do buy it.

The CHAIRMAN. What do they do with it after they buy it?

Mr. FORT. I do not know about that.

The CHAIRMAN. Have you any idea that the American Tobacco Company uses any dark tobacco?

Mr. FORT. I produce tobacco, Mr. Chairman, and I am thoroughly honest, and I would not try to deceive you or any of the committee.

The CHAIRMAN. You are making a statement about “the trust” stifling competition in your district. When I ask you what you mean by “the trust,” you say the American Tobacco Company. Do you know of the American Tobacco Company ever buying any dark tobacco or ever using any dark tobacco?

Mr. FORT. No, sir. Mr. Chairman, with all due respect, I know that the sun is shining out there, but I can not prove it; and I know that those things exist, but I can not prove it.

The CHAIRMAN. Your evidence, then, is of the same general nature as that the sun is shining, as you say?

Mr. FORT. You certainly can not expect me to prove these things when your United States Government can not prove them and can not sustain these things.

The CHAIRMAN. Senator Carmack asks me to ask you to explain how competition in the sale of tobacco is restricted under present conditions.

Mr. FORT. State the question again, please.

The CHAIRMAN. Just how competition in the sale of tobacco is restricted under present conditions. However, I have been asking you pretty much on the same line already, I suppose.

Senator CARMACK. Yes, sir.

Mr. FORT. Gentlemen, are there any more questions that you would like to ask?

The CHAIRMAN. You have really no knowledge of any of these facts that you have stated as to combinations of purchasers?

Mr. FORT. Not personal knowledge, Mr. Chairman. Gentlemen, I thank you very kindly for your attention.

Senator McCREARY. Mr. Chairman, we will take Mr. John B. Allen next.

STATEMENT OF JOHN B. ALLEN, ESQ., OF GUTHRIE, KY.

The CHAIRMAN. Mr. Allen, will you give your name to the stenographer?

Mr. ALLEN. John B. Allen, Guthrie, Ky. I live in Tennessee, but that is my post-office.

The CHAIRMAN. Are you connected with this Dark Tobacco Protective Association?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. Do you hold any official position in it?

Mr. ALLEN. I do not know, sir, whether I have got an office or not. I do not know. I have canvassed every dark tobacco growing county in the three States.

The CHAIRMAN. You are a promoter?

Mr. ALLEN. Yes, sir.

Senator McCREARY. State the three States.

Mr. ALLEN. Kentucky, Tennessee, and Virginia. I prefer, Senator, that you just ask me questions. Otherwise I would have to go over the ground that Mr. Fort has.

The CHAIRMAN. What we are anxious to know is the reasons that actuate you in trying to secure the passage of this act.

Senator McCREARY. Mr. Chairman (by way of directing his mind), have you read this bill, Mr. Allen?

Mr. ALLEN. No.

Senator McCREARY. It is a bill to remove the 6-cent tax on leaf tobacco.

The CHAIRMAN. Mr. McCreary, I hardly think that—

Senator McCREARY. I will ask you then to ask him, Mr. Chairman. I want him to state why he thinks the tax on leaf tobacco should be removed.

The CHAIRMAN. I would suggest, Mr. McCreary, that we are here to hear about this bill and to hear the arguments in favor of its passage. If the gentleman has not read it, I will suggest that he is hardly a competent witness on that particular subject.

Senator McCREARY. If he knows the substance of it—

The CHAIRMAN. I do not know whether he does or not. If he has any reasons to state in a general way why he desires that this bill should be passed, we will be glad to hear him of course.

Mr. ALLEN. At one time I think the 6-cent tax was removed from tobacco, was it not; several years ago?

The CHAIRMAN. No; not to my knowledge.

Mr. ALLEN. I think so; I think it was.

The CHAIRMAN. I suppose the witness refers to the act of 1890.

A GENTLEMAN. It was reduced.

The CHAIRMAN. But the tax was not removed.

Mr. ALLEN. There was one time, according to my understanding, when this 6-cent tax was not on leaf tobacco.

The CHAIRMAN. Well, the farmers were allowed to sell their leaf tobacco without paying the tax under certain conditions in 1890.

Mr. ALLEN. Yes.

The CHAIRMAN. That was from 1890 to 1894?

Mr. ALLEN. Yes, sir. During that time a great many farmers did sell their tobacco. We had a market for it then that we have not now. As Mr. Fort says, the farmer has to peddle his own tobacco. He can not hire an agent. If he could, in the Southern States a great deal of this leaf tobacco would be used. In fact, most of our people over there in Kentucky and Tennessee use what we call homespun natural leaf, and it would give us a demand for our tobacco that we have not now.

The CHAIRMAN. You think a large portion of the tobacco would be sold in that form?

Mr. ALLEN. I think it might through the South; yes, sir. There was a great deal of that kind sold while the tax was off.

You asked Mr. Fort a question in regard to the American Tobacco Company, and I would like to ask you a question: Is the American Tobacco Company the same as the Imperial Tobacco Company?

The CHAIRMAN. The committee is not under examination at present, and if they were you would have to bring here some more competent witness than I am on that subject.

Mr. ALLEN. Well, sir, over in our country they say they are one and the same, and they do buy dark tobacco. We have there in Clarksville one of the largest snuff manufacturers——

The CHAIRMAN. Who do you mean that buys this dark tobacco?

Mr. ALLEN. The American Snuff Company.

The CHAIRMAN. Is that the same as the American Tobacco Company?

Mr. ALLEN. My understanding is that it is all one and the same—yes, sir. I do not know.

The CHAIRMAN. Have you any knowledge on the subject at all?

Mr. ALLEN. No, sir; I can tell you how they whacked us out there, if that is what you want to know, and why we organized. We had to do it to protect ourselves. What was known or said to be the American Tobacco Company and the Italians went into a combination and destroyed all markets, all competitors, all honest dealers in tobacco, divided that territory, and put——

The CHAIRMAN. Are you speaking about things in your own knowledge?

Mr. ALLEN. Yes, sir; I am.

The CHAIRMAN. Will you be kind enough to furnish us the evidence?

Mr. ALLEN. I guess we can do that by every gentleman here from Tennessee.

The CHAIRMAN. I mean real evidence. We do not care for hearsay.

Mr. ALLEN. The only evidence I have is what I am telling you.

The CHAIRMAN. What is it?

Mr. ALLEN. It is a fact that they did divide the territory.

The CHAIRMAN. How do you know that?

Mr. ALLEN. From experience.

The CHAIRMAN. Experience?

Mr. ALLEN. Yes, sir; I was right there in the territory. They would lay off the road, and one agent would take one route and not allow the other one to cross over. That is well known. That evi-

dence can be produced. You have that. Mr. Tillman, your attorney-general, and Mr. Taft, I think, got that testimony before the grand jury.

The CHAIRMAN. Did Mr. Taft examine you in relation to this matter?

Mr. ALLEN. I was examined by the grand jury at Nashville. I think Mr. Taft and Mr. Tillman were there. I know Mr. Tillman was.

The CHAIRMAN. You are not sure whether Mr. Taft was present?

Mr. ALLEN. No, sir; I am not sure; but I think he was.

The CHAIRMAN. You are not aware, of your own knowledge, of the character of the report which they made?

Mr. ALLEN. No, sir; I do not know anything about that.

The CHAIRMAN. And you have no knowledge of your own in regard to these matters, except general hearsay statements that have been made?

Mr. ALLEN. Well, I can tell you, so far as evidence is concerned, that conditions have changed very much since we did organize.

The CHAIRMAN. I suppose you agree with the president of the organization as to its purposes as stated by him?

Mr. ALLEN. We protect one another.

The CHAIRMAN. In what way?

Mr. ALLEN. We are combined to pledge our tobacco to the association. Every tobacco grower has a vote, and we elect what we call an executive committee. They have charge of this tobacco. They sell it. We do not have any say about it. We turn it over to them to sell.

The CHAIRMAN. And they fix the price?

Mr. ALLEN. I suppose so, sir; they sell it.

The CHAIRMAN. Do you not know whether they do or not?

Mr. ALLEN. I guess they would have to, would they not, to make the sale?

The CHAIRMAN. They announce, do they not, the prices at which sales must be made?

Mr. ALLEN. Oh, yes, sir; that has been done; yes, sir.

The CHAIRMAN. They fix the prices?

Mr. ALLEN. We turn it over to them to sell. We have nothing more to do with it.

The CHAIRMAN. And that is the purpose of the organization—to fix the price?

Mr. ALLEN. Yes, sir. Well, I do not know—you say “to fix the price.” You say that is the purpose. I do not say that. The purpose is to protect ourselves against this combination that has robbed our wives and children as long as it has.

The CHAIRMAN. And you agree to stand by each other?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. And to fix the prices?

Mr. ALLEN. There is no oath; we have no oath. We just depend on a fellow's honor.

The CHAIRMAN. You have some pledge, have you?

Mr. ALLEN. Some; yes, sir.

The CHAIRMAN. Have you a copy of that with you?

Mr. ALLEN. No, sir; I have not one here.

The CHAIRMAN. Can you repeat it from memory?

Mr. ALLEN. I could come mighty near it. I do not know whether I could repeat it exactly or not. I would hate to try. It is a short pledge.

The CHAIRMAN. I thought that as you had been advancing this cause in several counties you might probably be able to state it from memory.

Mr. ALLEN. I hardly think I could do that. I would not try. It has been some time since I have read one of them; but it is just an ordinary pledge, pledging the tobacco to the Dark Tobacco Growers' Association as our agents. They have charge of the selling of it. We can not take it out of their hands to sell. We pledge it to that committee to sell for us. If there is any price they have the sale of it. We have nothing more to do with it.

The CHAIRMAN. How do you think the passage of this bill would affect the Italian Regie's purchases, for instance?

Mr. ALLEN. I do not know about the Italian Government. They are not manufacturers. That Government handles its own tobacco. They are not manufacturers, you know. I do not know that the 6-cent tax affects them at all; does it?

The CHAIRMAN. Well, you are here in advocacy of this measure.

Mr. ALLEN. Yes, sir.

The CHAIRMAN. And I would like to have you, if you can, explain to me what relief you expect to receive by the passage of this bill.

Mr. ALLEN. As I said a while ago, if you will take off this 6-cent tax the farmer who grows the tobacco can sell it where he pleases.

The CHAIRMAN. Do you mean to take off the tax entirely?

Mr. ALLEN. The 6-cent tax on leaf. I understand this bill to take the 6-cent tax off of leaf tobacco; yes.

The CHAIRMAN. It takes it off as to certain people. Do you think it ought to be taken off as to everybody, or do you think the manufacturers ought to be relieved of the payment of that tax, too?

Mr. ALLEN. If the manufacturers manufacture tobacco, they can pay a manufacturer's tax.

The CHAIRMAN. Ought they to be permitted to sell it in the same form that the farmers did, free of tax?

Mr. ALLEN. Well, I do not know, sir. We know that that is the only product that is taxed. We do not think we ought to be taxed because we live in a tobacco-raising territory down there. It does seem that if the man who buys it has to pay the 6-cent tax he will surely take it off of the price and put it up on the other end of the line somewhere. Somebody pays it.

The CHAIRMAN. You think the man who sells it ought not to pay it?

Mr. ALLEN. We do not think that we producers ought to have to pay a tax.

The CHAIRMAN. Do you think the man who buys it ought to pay a tax?

Mr. ALLEN. That is a matter for the Government. As I understand it, tobacco is the only product that is taxed.

The CHAIRMAN. Are you a farmer?

Mr. ALLEN. Yes, sir; yes, sir.

The CHAIRMAN. Do you have to pay any tax on your own tobacco now?

Mr. ALLEN. On my tobacco?

The CHAIRMAN. On your leaf tobacco?

Mr. ALLEN. No, sir. It may be, perhaps, that the fellow that buys takes it off of my price. Somebody has to pay it.

The CHAIRMAN. You do not understand that the passage of this bill would change your status as a seller of leaf tobacco, do you?

Mr. ALLEN. Well, I do not know. If the purchaser did not have to pay the 6-cent tax, he might possibly give it to the man that produced the tobacco. That is the way I look at it. I do not know.

The CHAIRMAN. Then you are for the repeal of the tax entirely?

Mr. ALLEN. I am for taking the tax off of the farmers' product. I do not believe you have any more right to tax that than you have to tax our wheat, rye, oats, etc.

The CHAIRMAN. There is no tax on the farmers' product now, as I understand the law.

Mr. ALLEN. There is on leaf tobacco, is there not?

The CHAIRMAN. No, sir.

Mr. ALLEN. Then I do not understand it.

The CHAIRMAN. There is none whatever.

Mr. ALLEN. I do not understand it, then.

Senator McCREARY. Where it is sold by the producer.

The CHAIRMAN. Where it is sold by the producer, yes; and there is no tax upon it at all until it is partially manufactured.

Senator McCREARY. There is no tax on it where it is sold by the producer; but he has to sell it himself.

Mr. ALLEN. I know that; yes.

Senator DANIEL. They do not allow him to sell it by his agent.

The CHAIRMAN. That is a matter of regulation, not a matter of law, in my judgment.

Senator DANIEL. Have you a copy of the hearings here showing the reply of the Commissioner of Internal Revenue on that point?

The CHAIRMAN. I do not know that we want to go into that now, do we?

Senator DANIEL. I do not know; we are discussing it.

Senator McCREARY. We will take Mr. Joel Fort next. Do you wish to ask Mr. Allen some questions, Senator Daniel?

Senator DANIEL. I would like to consider it a moment, sir.

The CHAIRMAN. You can recall him later, if you wish.

STATEMENT OF JOEL B. FORT, ESQ., OF ADAMS, TENN.

The CHAIRMAN. Are you connected with the Dark Tobacco Growers' Protective Association?

Mr. FORT. I am a member of that association.

The CHAIRMAN. You hold no official position with it?

Mr. FORT. No; I hold no official position. I represent the association as attorney. I do not regard that as an official position.

The CHAIRMAN. Then you are here as attorney for the association. Are you a producer of tobacco?

Mr. FORT. I am a producer. I do not represent them as attorney here, however. I represent them as a member; and with your permission, Mr. Chairman, I desire to say why the people in that section favor the passage of this bill.

The CHAIRMAN. Have you read the bill yourself?

Mr. FORT. Yes, sir. The regulation, more than the law, is what requires the farmer to come here and ask for the passage of this bill.

Your question to the gentleman who preceded about there not being a tax on tobacco is pertinent, and I desire to answer it.

A farmer can sell his tobacco now to any man he desires. That fact precludes the farmer from any benefit of what you would term the free sale of his tobacco. He can sell it to anybody he pleases, but the other party can not resell without the payment of the tax. Therefore the other party will not buy from the farmer.

The CHAIRMAN. You do not quite mean to make that statement, do you?

Mr. FORT. Well, the other party can not buy for the purpose of selling in the natural leaf, for he can not sell without the payment of the tax.

The CHAIRMAN. But he can sell it to a manufacturer, certainly, without the payment of the tax.

Mr. FORT. We can sell to the manufacturer ourselves.

The CHAIRMAN. Yes.

Mr. FORT. And we do not want to sell it to the manufacturer in that way. We want to sell it directly to the consumer. We want this tobacco to go to a store, if you please—a general dry goods and grocery store. We want the box opened, and we want the consumer to come in and buy, perhaps, 5 or 10 pounds of homespun tobacco, and take it home and use it as he pleases without the payment of any tax. That is what we want. The reason we ask that is that it will give the dark tobacco-producing section of Kentucky, Tennessee, and Virginia a market they have not now for millions of pounds of tobacco. It will open up a new market that we once had for a short time. Some gentleman has testified before this committee that under the operation of the old law there was quite a considerable trade of this kind developed through the South, until it reached probably 15,000,000 pounds a year. Instead of its being 15,000,000 pounds a year, it ought to be 50,000,000 of pounds.

The CHAIRMAN. Do you mean of dark tobacco?

Mr. FORT. Yes, sir; through the South and West.

The CHAIRMAN. What is the total production of dark tobacco?

Mr. FORT. I have not the figures in my head. I have them in my book.

The CHAIRMAN. Approximately?

Mr. FORT. I could not tell.

Mr. CHARLES H. FORT. About 150,000,000.

Mr. JOEL FORT. About 150,000,000. I do not carry statistics in my head.

The CHAIRMAN. You think at least one-third of that would be sold in this country free of tax?

Mr. FORT. We would like it to be.

The CHAIRMAN. That is what you meant, I suppose.

Mr. FORT. These tobacco companies adulterate their tobacco so much; they put so much foreign substance in it. For instance, there is one brand of tobacco the American Tobacco Company makes that I am informed has 40 per cent of licorice in it.

The CHAIRMAN. Do you know what the price of licorice is?

Mr. FORT. Yes, sir; I know what it is to them and I know what it is to the independent man, and I know that the McAndrews-Forbes Company was convicted on that ground. This independent man stated that he could not buy tobacco and buy licorice at 9 cents a

pound in competition with a man that got it at 3 cents a pound and put 40 per cent of licorice in it and then sell it against these people.

The CHAIRMAN. Are you familiar with the processes of tobacco manufacture?

Mr. FORT. No, sir, I am an expert on raising; I am not an expert on putting it up.

The CHAIRMAN. Would you mind giving us your authority for that statement?

Mr. FORT. Yes, sir; J. C. Kendrick is the man, in Clarksville.

The CHAIRMAN. He stated that they put 40 per cent of licorice in it?

Mr. FORT. Yes, sir; and he carried the tobacco to Nashville and went before the grand jury, and told them that that is the way they ran him out.

I see that the discussion here is running on the tobacco trust. I want to say that in our country, whether it is a trust or not, there was an agreement between the parties who bought tobacco; there was an understanding between them.

The CHAIRMAN. Are you stating something from your own knowledge, or what you believe?

Mr. FORT. I am stating that they laid the territory off and put me in a district, and only one man could buy my tobacco; and when he got through he said: "I will turn you over to the next gentleman;" and when he got through then the third gentleman came along. The first man claimed to and did represent the Italian Regie; the next man the Imperial, and the next man the American Tobacco Company.

Senator DANIEL. When was that, Colonel Fort?

Mr. FORT. That was in the year 1903. That is what produced this organization of farmers. They had tobacco down to between 3 and 4 cents.

The CHAIRMAN. What year was that?

Mr. FORT. That was the 1903 crop. One man in my neighborhood, at Cedar Hill, took his tobacco in a hogshead and went out and peddled it out on the street, which he had the right to do. We want this bill so that we can sell this tobacco in the hogshead and sell it to any merchant in the South and get a market for it.

The CHAIRMAN. What is the present price of this tobacco which you say was sold in 1903 at 3 cents?

Mr. FORT. I think it would average about 7. I want to say to you, Mr. Chairman, that this association did not fix that price. These very men that have always fixed it fixed it at a little higher price than that.

The CHAIRMAN. Do you mean this year?

Mr. FORT. Yes, sir.

The CHAIRMAN. But the association did fix the price?

Mr. FORT. The association have grades of tobacco—about forty-two grades.

The CHAIRMAN. And they fixed the price on each grade?

Mr. FORT. This committee takes the market as it stands, the prices that have been paid. We have not sold any of that tobacco yet. They say: "We want for Italian A so much; for French A so much; for French B so much." That price is put there according to about what the state of the market is in that country now.

The CHAIRMAN. You increased the price, according to your ideas, by combination, from 3 cents to 9?

Mr. FORT. We held the tobacco off of the market, and they increased the price.

The CHAIRMAN. The result has been the same; the purchasers remain in the same status, do they not?

Mr. FORT. Yes, sir.

The CHAIRMAN. The same people are buying tobacco in your country that were buying it in 1903?

Mr. FORT. The representatives of the same people; yes.

The CHAIRMAN. So that the status has not been changed in any way?

Mr. FORT. No, sir; we sell to them.

The CHAIRMAN. And your idea is that the advance in prices has been due to this cooperative movement on the part of the producers?

Mr. FORT. They buy from us; we sell them tobacco cheaper than they can get it for on the outside.

The CHAIRMAN. I understand; but that was not quite my question. You think that this increase from 3 cents to 7 cents has been due to the cooperation of the producers?

Mr. FORT. To some extent.

The CHAIRMAN. What other influences have caused it?

Mr. FORT. I will tell you another influence. The man on the outside that has not joined this association has been running cheek by jowl with the agents of the trust. They have paid him and they have offered him more for his tobacco in order to break up the organization. That has had its influence, and largely to that is to be attributed the high price.

The CHAIRMAN. I see you use the word "trust" in the same sense that the gentleman who proceeded you used it. Will you be kind enough to tell me just what you mean by that?

Mr. FORT. We just call that combination of the American Tobacco Company, the Imperial Tobacco Company, and the Italian people and their associates the trust.

The CHAIRMAN. Do you think the Italian Regie and all these other people are in a combination?

Mr. FORT. It looks that way to us.

The CHAIRMAN. You have no evidence of that, I suppose?

Mr. FORT. Attorney-General Moody intimated as much. We have not any positive proof, but Mr. Moody said that the reason he could not convict these trusts was that they did their work behind closed doors and in secret and under the advice of astute attorneys.

The CHAIRMAN. Do you think the American Tobacco Company is buying dark tobacco?

Mr. FORT. Why, of course they do.

The CHAIRMAN. For what purpose do they buy it?

Mr. FORT. To make snuff. They make the commonest chewing tobacco out of the commonest dark tobacco they can get.

The CHAIRMAN. You are speaking now of the American Snuff Company, I suppose?

Mr. FORT. I am speaking of the American Tobacco Company. That is what we call the whole gang.

The CHAIRMAN. Then when you speak of the trust, you mean the "whole gang" of all purchasers?

Mr. FORT. Well, the American Tobacco Company, Mr. Chairman, came down to Nashville the other day and bought out the only independent manufacturer of tobacco in Nashville at 250.

Senator DANIEL. Two hundred and fifty what?

Mr. FORT. Two hundred and fifty for one. They paid 250 for the par value of the stock.

The CHAIRMAN. Was that to affect the purchase price of tobacco, do you think?

Mr. FORT. I will tell you, if you will allow me to, what their attorney said. The attorney for these people went after the American Tobacco Company to indict them and to sue them for damages; and they called them across, as a matter of cold dollars, and said: "Now, if you will be good and come across we will not indict you;" and they came across with 250 for the stock. That is what their attorney said about it.

The CHAIRMAN. You mean 250 for 100, I suppose?

Mr. FORT. Yes, sir. Now, we can not prove that these men got together and made this agreement that they would do certain things; but we saw them do these things, and it could not have been, Mr. Chairman, by accident. It could not have happened that these men that represented the Imperial Company would not come in until the American Tobacco people got out of the way. It could not have happened by accident that the Italian Regie agents, that buy very largely in our country, would walk in by themselves without competition, and when they had finished their purchase and wanted no more they would say: "Well, here comes another one. The American Tobacco Company man will take what I do not want." It could not have been, in our judgment, that these things would happen by accident. Therefore we say it was a trust, and a combination against which this association was organized, not for profit but for mutual protection. That is all we have in the world in the way of an organization.

Now, let us get down to this bill. We are getting off on to trusts. Our object and purpose in coming here is to benefit the farmers of Tennessee, Kentucky, Virginia, and give them an outlet, to give them a competing market, and say to the American Tobacco Company or to the Imperial Tobacco Company or to the Italian Regie, "Now, we can sell this tobacco that we raise in the South. You will have to compete with the consumers of the South, if you get this tobacco." We want to restore, if you please, Mr. Chairman, the old-time doctrine of trade and commerce that is based upon supply and demand and upon competition. That is the only object we have.

The CHAIRMAN. What old-time doctrine do you refer to?

Mr. FORT. The old-time idea of supply and demand. I am coming to that.

The CHAIRMAN. Free from taxation, you mean?

Mr. FORT. Well, yes.

Now, Mr. Chairman, I come to this proposition: It has been asked here how it will benefit the farmer. Before this bill was introduced and before the organization of this association—this is an educational matter as well as a matter for mutual protection—before this association was organized, we did not know, and nobody knew, how much tobacco there was on the market. That is a matter of record. We

did not know whether we had too much tobacco or too little; and the question of the chairman was a very pertinent question—had this association, through its members, ever attempted to cut down the acreage of tobacco. I answer that that was discussed; but when they came to cut the acreage of tobacco they found that it had already been cut; that the farm laborers of that country that had raised tobacco for years, owing to the low price of tobacco, were driven over to railroad works and to public works, until, when the farmers looked over the situation—they have a complete organization of a bureau of information—they found that the acreage had been cut. Nobody knew how much tobacco there was in the world, how much was on hand. When this association was organized, these men—I will not call them trusts any more—who spoke for that unseen and unknowable power claimed that there was tobacco enough in the world to last three years. When this association took charge of it, they are the first people that ever wrote correct statistics about tobacco in this country, and they found, and it is a fact, that there is less tobacco in the markets of the world to-day than there has been for about fifteen years. So I say this organization is a bureau of information.

So we urge, Mr. Chairman, that this bill be passed for the benefit of the farmer. I have noticed that some independent tobacco men have appeared before this committee. Their motive in having the bill defeated is not a motive for the public good. I do not appear here and say, "I want it passed for my special benefit." It is true that I am a farmer, and I can get along with the rest of them. I ask that it be passed for the good of the dark-tobacco growers of all the States. This independent man says, "I do not want it." "Why? Why do you not want it?" "It will interfere with my business." Now, that is not the man that you want to hear. You want a man that is interested in the general welfare, and not simply in his own.

Then he says it will take revenue. You do not get any revenue now from the sale of the tobacco, because there is none sold except to the manufacturer; and if you did, if the Government were to lose \$2,000,000 of revenue every year, I want to know if there is a man here, who loves and cares for the general welfare of the country, that would let \$2,000,000 overshadow his judgment in reference to the toiling thousands of producers in the black patch?

Now, Mr. Chairman, I was coming to the question that I saw you had in your mind, and that was the question of competition. I did not expect to be thrown off by this committee and called on to tell what I knew about this tobacco trust. I will have to say with all candor to the Chairman that any of these trusts, in my opinion, could be described as the wind is described in the Bible. "It bloweth where it listeth," and that is about all you ever hear, except you see the fearful results and you do not see the hand that does the manipulating.

Senator McCREARY. Mr. Chairman, will you ask him if the rest of the quotation is correct—"and whence it cometh or whither it goeth he can not tell?" [Laughter.]

Mr. FORT. I know where they are going. [Laughter.] I come right from the people. I have spoken in Virginia about this question. I am not a promoter. I am a defender. I have spoken to the people of Virginia. I have spoken to the people in every district in Kentucky, and every district in Tennessee. I want to say for

your benefit, Mr. Chairman, that if there is anything in the muttering and in the rumbling of the good people of Tennessee, Kentucky, and Virginia, the trust handwriting is on the wall. They will not stand for party politics any longer as against home protection. It matters not whether he be Democrat or Republican—and I say for the President of the United States now, that while I never voted anything but a Democratic ticket, you will find in my printed speeches why I have commended him. It runs in our family in Tennessee to commend a man of another political party when he strikes a blow for the good of the people he represents.

The CHAIRMAN. What is your business?

Mr. FORT. I am a farmer and a lawyer. I was a farmer until the trust made me practice law to catch up. [Laughter.]

The CHAIRMAN. You are the attorney of the Dark Tobacco Protective Association?

Mr. FORT. Yes, sir.

The CHAIRMAN. For a salary, or for love?

Mr. FORT. Well, yes; they pay me for my work.

The CHAIRMAN. They do pay you for your work?

Mr. FORT. Yes, sir; they pay me for my services.

The CHAIRMAN. Do they pay you for coming here?

Mr. FORT. No, sir; I am coming for myself.

The CHAIRMAN. You are coming at your own instance?

Mr. FORT. I am here for myself now.

Now, about the matter of competition——

The CHAIRMAN. We shall have to ask you to be brief; we have just ten minutes left.

Mr. FORT. I will close in five.

The CHAIRMAN. We want to ask you some questions, so if you will just get through with your general statement——

Mr. FORT. Well, I will take the questions now.

The CHAIRMAN. You can make a political speech for us in your own way at some other time, but if you can finish in five minutes we would like to ask you some questions.

Mr. FORT. You can ask the questions now; but I just want to say, Mr. Chairman, that you asked the question of other parties whether they knew anything about this territory being laid off and divided off.

The CHAIRMAN. I have asked you for your own personal knowledge.

Mr. FORT. I know it from my own personal experience. In the case of the crop of 1903, Mr. B. H. Story was the Italian Regie buyer in my district. He was the lord of that territory. I went to him to sell my tobacco to him and could not sell it. He bought my brother's tobacco. He started at the top of the ladder and came down. He would say, "I will give you \$7 for this tobacco." "Oh, that is too good tobacco to sell for that." "Well, you had better take it; the next time I come around I will be lower;" and he kept going down the ladder; and I went to him to sell him my tobacco at \$5 and \$2, and he would not take it at all. He said: "There has another man come on now, the American Tobacco Company's man. He will buy your tobacco; I don't want any more."

Senator DANIEL. When was that, Colonel Fort?

Mr. FORT. That was in 1903. And I want to tell you another thing. Doctor Bradley—and I am giving names now because I am telling the truth—Dr. L. M. Bradley, of Saddle ville, owned tobacco in Mont-

gomery County and in Robertson. His barns were situated in both counties. He could not sell his tobacco to this man that was in Montgomery County, because another man had that territory. J. T. Mathers is another man like that. A barn on one side of the road he could sell to this man, and a barn on the other side he could not. The buyer told him the reason he could not buy that barn of tobacco over there was that it was out of his territory, and belonged to another man. They were both working for the same men, of course, but they would not let them buy in competition, or out of their territory.

Now, I will answer the questions.

The CHAIRMAN. You say the present price of dark tobacco is 7 cents a pound?

Mr. FORT. I said it would be something like that on an average; yes.

The CHAIRMAN. I have before me the prices fixed by the Dark Tobacco Association for this year. I find that snuff leaf is fixed at from 9 cents to 12. That is the kind, I suppose, that the American Snuff Company buy, is it not?

Mr. FORT. I expect they buy some of that; yes.

The CHAIRMAN. It is described here as snuff leaf. Are you familiar with the kinds of tobacco?

Mr. FORT. No, sir; I am not an expert on the grades.

The CHAIRMAN. There is no price here, except for trash and for common lugs, that is not much above 7 cents a pound.

Mr. FORT. That price list was made with the expectation of averaging about 10 cents.

The CHAIRMAN. Would you like, then, to revise your statement that it is an average of 7?

Mr. FORT. I understood you to say last——

Senator DANIEL. What association is that?

The CHAIRMAN. The Dark Tobacco Growers' Association.

Mr. FORT. This tobacco has not been sold. You did not understand me. That is the tobacco raised in 1906. When I said an average of 7 cents, I was referring to the crop that has been sold.

The CHAIRMAN. I am talking about the present prices.

Mr. FORT. That price was computed to bring an average of about 10 cents.

The CHAIRMAN. What does it cost to raise tobacco of that grade?

Mr. FORT. The experts, before labor got so high, put it at 6 cents. It costs about 7 cents now to raise tobacco in that district. It costs more in Virginia than it does there.

The CHAIRMAN. What benefit in the way of advances in prices do you expect will accrue to the farmers from removing the tax? How much do you think they will get?

Mr. FORT. It will benefit them this much: It will give a competing market that will cause these men to pay more for tobacco.

The CHAIRMAN. What is your own estimate about what part of that the farmer will get?

Mr. FORT. The farmer will get all the benefit of that.

The CHAIRMAN. Do you think he will get 6 cents a pound more for tobacco than he gets now?

Mr. FORT. I do not know about that, but the farmer will get all the tobacco that is sold loose. You see, he sells it now to the merchant or to the dealer, and this merchant sells to the consumer.

The CHAIRMAN. What is your estimate of what he would get? Do you think he would get 6 cents a pound more?

Mr. FORT. I think he would get more than that.

The CHAIRMAN. More than 6 cents a pound?

Mr. FORT. Yes, sir; I think he would get easily 6 cents a pound for that tobacco in the South.

The CHAIRMAN. No; I mean, do you think they would get 6 cents more than they are getting now?

Mr. FORT. No; I would not say that.

The CHAIRMAN. What benefit do you think they would receive?

Mr. FORT. I would say they would get from 2 to 3 cents, probably, more.

The CHAIRMAN. More than they get now?

Mr. FORT. More than they get now.

The CHAIRMAN. In other words, they would get 13 cents. Your idea is that they would get 13 cents for their crop for this year, for instance?

Mr. FORT. I mean tobacco that is sold to the consumer and sold in the South, for this reason—

The CHAIRMAN. I am talking about its general effect upon prices.

Mr. FORT. Yes; I am coming to that. Now, you see, this tobacco that is sold by the factory they sell for from 30 to 40 and 50 cents a pound. That has different things in it, and it has a good many stems in it, if you will take it and examine it. It is doctored. Now, the man in the South that wants tobacco gets this tobacco; he gets the pure leaf. Then he can smoke it or chew it just as he pleases. There is a good deal of difference when a man walks down there and has to pay 50 cents a pound for smoking tobacco, and when he can buy this natural leaf at 25 cents a pound and pay the farmer 15 cents of it and the other man can make 10 cents himself. But I would say that the farmer would reap a profit.

The CHAIRMAN. In the public interest, you think we ought to encourage the use of tobacco in its natural form?

Mr. FORT. I think so. Under the pure-food law it ought to be done [laughter]; for of all the rascality that has ever been done in this country, these fellows that are in this tobacco business do the worst. You just go and get a sack—

The CHAIRMAN. Do you mean now the trust when you say "some of these fellows?"

Mr. FORT. Yes, sir; I mean the trust.

The CHAIRMAN. How about the other manufacturers?

Mr. FORT. Well, they are a little better. I have seen some independent tobacco that looked pretty well.

The CHAIRMAN. A little better morally?

Mr. FORT. Yes; and physically, too [laughter]. Now, Mr. Chairman, I do not know whether the use of tobacco ought to be encouraged. I will not say that. But I agree with Hon. J. M. McKinzie that as long as they are going to have it, they ought to have the pure stuff. They ought to be allowed the privilege of buying it, if you please. The man who wants to buy tobacco in the natural leaf and smoke it in the natural leaf ought to have, in this country, the privilege of buying it from the man that produces it.

The CHAIRMAN. This, in your view, is a bill for the general welfare?

Mr. FORT. Yes, sir; it is a general welfare bill.

Senator DANIEL. Colonel Fort, how is the territory divided now? You speak of 1903. Does that continue?

Mr. FORT. Oh, no. We captured the territory. We are holding the ground. The way that thing happened was this: When this association was organized we had to go and beg them to buy tobacco. Now we have the territory, and they have a few men who stay on the outside. We call them "hillbidders," and they are cheek by jowl with those people; and a man that would make you go to him to try to sell your tobacco will come and stay all night with you now and beg you for your tobacco.

Senator DANIEL. You think the condition is very much improved, then?

Mr. FORT. You never saw more improvement in your life. There is competition there—active competition. They want tobacco; they are hustling everywhere to get it; they are going all over the country after it.

The CHAIRMAN. You could not improve present conditions?

Mr. FORT. Yes, sir; we want to improve them, too.

The CHAIRMAN. In what way do you expect to do that?

Mr. FORT. We want to get this market so stable and so settled that it will be beneficial to the farming class of people; and we want to deal perfectly fairly with the manufacturing people. We have great, big sales rooms in every portion of that country, and a man can buy one hogshead of tobacco or ten thousand hogsheads of tobacco. We put a guaranty bond in every hogshead of tobacco that crosses this water, with a guaranty—

The CHAIRMAN. Whom do you mean by "we?"

Mr. FORT. The association—the Dark Tobacco Planters' Protective Association, of Tennessee, Kentucky, and Virginia—puts an indemnity bond in every hogshead of tobacco that goes across the water, and says to the man that buys it over there: "This is just exactly like this sample, or we will make it good." Before that, when these people send their tobacco over, they had reclamation after reclamation. They put in short tobacco and long tobacco. This association sends it just exactly the same from top to bottom. We have benefitted the tobacco industries all over the country by pursuing the policy of honest packing, and not doctoring tobacco like they had it before we took charge.

I thank you very much, Mr. Chairman.

Senator McCREARY. I will have to be in the Senate when it meets, Mr. Chairman. Will you allow me to make a statement before I go?

The CHAIRMAN. Certainly.

Senator McCREARY. We have two more witnesses we would like to introduce some day when it suits you.

The CHAIRMAN. You were going to give us some representatives of the Society of Equity, but we have not heard from them. Have you any of them here?

Senator McCREARY. There are none here to-day. If you are very anxious, indeed, to have some here—

The CHAIRMAN. I understood you to say that you would produce them.

Senator McCREARY. Well, I wrote to one, and he is not here to-day. He wrote me. I will tell you what he said. He said he expected you knew all about the Society of Equity.

The CHAIRMAN. I do not.

Senator McCREARY. And that he did not know that he could enlighten you any.

The CHAIRMAN. I am trying to get some information about it.

Senator McCREARY. He thought you had avenues of information that would make you know all about it. But I will try to get one here.

We have two more witnesses, Mr. Chairman, that we would like to introduce. They are not here to-day, and we would like to introduce them some other day.

The CHAIRMAN. A week or ten days from now?

Senator McCREARY. Yes; how would next Monday suit?

Senator DANIEL. The session is nearly over now, and if we want to get any action on this bill we had better hurry it up. It has been here for two Congresses—two sessions.

Senator McCREARY. Any day that you can suggest will be satisfactory.

Senator DANIEL. A delay now means that the bill is dead.

The CHAIRMAN. I do not know about that.

Senator DANIEL. I do not know, but it looks like it.

Senator McCREARY. I could have the witnesses here to-morrow or next day, if it is agreeable.

Senator DANIEL. The denatured-alcohol bill comes up to-morrow.

The CHAIRMAN. I have promised that we would hear the Cigar Manufacturers' Association, the Leaf Tobacco Associations, the Havana Cigar Manufacturers' Association, the independent manufacturers of Richmond, the independent manufacturers of Michigan, and some one or two others. We have quite a large number of outstanding promises in regard to this bill, and I do not believe it will be possible to hear your people again before some time next week.

Senator McCREARY. Next Monday will do.

The CHAIRMAN. Next Monday, then; and if you will have the president of the Society of Equity here, I would be very glad.

Senator McCREARY. Yes, sir.

Senator CARMACK. What is the Society of Equity?

Mr. FORT. That is a farmers' organization.

Senator CARMACK. Another organization?

Mr. FORT. Yes, sir.

Senator CARMACK. Is it a distinctive tobacco organization?

Mr. FORT. No.

The CHAIRMAN. A tobacco growers' association?

Mr. FORT. It is a universal association; it takes in everything—wheat, corn, and everything.

Mr. H. D. MILLER. Excuse me; allow me to correct the gentleman. It is absolutely an association of growers of tobacco.

Mr. FORT. The American Society of Equity?

Mr. MILLER. Yes.

Mr. FORT. Why, it is organized where they do not raise tobacco at all.

Mr. MILLER. The president of that association is in Indianapolis. He has a paper that circulates over 500,000 copies that I take every day. The great majority of their meetings have been outside of the State of Kentucky. The control of tobacco is merely—

The CHAIRMAN. I am told that he is now in this city.

Mr. MILLER. The president of the Burly Tobacco Growers' Association, Mr. Clarence Le Bus, is in the city. He was here, and the gentleman over there saw him last night.

Senator McCREARY. He is not the president of the Society of Equity. He is the president of the White Burly Association.

Mr. MILLER. He is president of the White Burly Growers' Association of the American Society of Equity.

Senator McCREARY. But he is not the president of the Society of Equity.

A GENTLEMAN. He is a member of it.

Mr. AXTON. And he is very much opposed to this bill.

Mr. MILLER. He is the president of the leaf growers.

Representative JAMES. I have talked to the gentleman you speak of, and he is in favor of giving them all the right to sell twist tobacco without tax; but he is in favor of going farther than this bill does, and allowing twist tobacco to be sold without any tax to the consumer, as I understand it. And with regard to your statement that the Society of Equity handles tobacco only, I know that is a great mistake, because they have every product that is raised on the farm. You are not familiar with the Society of Equity.

Mr. MILLER. That term applies to everything. I understand he asked the question from this gentleman, Mr. Le Bus, and Mr. Le Bus has been telegraphed for, and he is here to testify against this bill.

Mr. AXTON. And he said he would appear here this morning if Senator McCreary wanted him here.

Representative JAMES. I know what he is here for. He is here to testify in favor of allowing the farmers to sell twist tobacco. I know that, because I have talked to him, and I know what he says.

Senator McCREARY. I came up with Mr. Le Bus, and he told me he was in favor of removing the tax from leaf tobacco and from twist tobacco. That is the position he takes.

Representative JAMES. That is right.

Mr. AXTON. Did he write you a letter about this, Senator?

Senator McCREARY. I think he did. I do not remember what is in it, though; I get so many.

Mr. AXTON. I read that letter yesterday. I came over on the train myself with Mr. Le Bus; he got on the train—

Senator McCREARY. Well, Mr. Le Bus is not here, and I do not think it is well to go into that.

The CHAIRMAN. No; and Mr. McCreary is not on the stand.

Senator McCREARY. And I am not on the witness stand.

The CHAIRMAN. I will tell you, gentlemen, there are so many combinations, associations, organizations, and trusts referred to in connection with this matter that I must confess that I am a little confused about it myself. I was going to ask the attorney for this organization if he had ever had any conversation with the representative of the Department of Justice.

Mr. FORT. Yes, sir.

The CHAIRMAN. As to the character of your organization, as to whether it comes within the terms of the Sherman Act.

Mr. FORT. They had representatives down there.

Senator DANIEL. That is not a part of the inquiry we are making here.

The CHAIRMAN. I am asking the question.

Mr. FORT. I will take pleasure in answering the question.

Senator DANIEL. I know; but there is no end to that, and we will never get at what this bill is.

Mr. FORT. Do you want to ask me any more questions, Senator?

Senator DANIEL. I should be glad to if there was time to do it.

Mr. FORT. Now, Mr. Chairman, briefly, I want to thank you for the courtesy you have extended me, and I want to offer you my sincere sympathy. I am not an old man, but if you are going to hear all these things you told me about, this bill may be heard after you and I are both gone.

The CHAIRMAN. Well, in these examinations we are required to have great patience.

Mr. FORT. And I beg this committee, for the benefit of my people down there, that this unnecessary delay of this bill should be done away with and that it should be brought to an issue. If we are going to get the relief, we want to know it, and if we are not, then we will quit, and whatever you do we will accept. But I would like to have this bill considered some time while I am living, because I want to know how it terminates.

(After further discussion it was announced that further hearings on this bill would be had on Thursday, the 21st instant, and on Monday, the 25th instant.)

(The committee thereupon adjourned.)

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C., Thursday, February 21, 1907.

The subcommittee met at 10 o'clock a. m.

Present: Senators Aldrich (chairman) and Daniel, of the subcommittee.

Present, also, Representative Gaines, of Tennessee; Representative Stanley, of Kentucky; H. D. Miller, esq., of Philadelphia, Pa., and others.

STATEMENT OF H. D. MILLER, ESQ., OF PHILADELPHIA, PA.

The CHAIRMAN. Please state your name and address.

Mr. MILLER. H. D. Miller; Philadelphia, Pa. I am president of the Independent Tobacco Manufacturers' Association of the United States.

The CHAIRMAN. You appear here in opposition to the free-leaf bill, so called, as I understand it?

Mr. MILLER. Yes, sir.

The CHAIRMAN. You may go on in your own way and make your own statement.

Mr. MILLER. I appear here as president of the Independent Tobacco Manufacturers' Association, as well as on behalf of my individual firm, at the request of that association, to protest against the passage of this free leaf-tobacco bill.

The internal-revenue laws of the United States at present provide for a tax of 6 cents per pound on all manufactured tobacco. There is

no tax imposed on the occupation of manufacturing or dealing in leaf tobacco. All manufacturers or dealers are compelled to register, in order to be subject to the supervision of the Internal Revenue Department; and the statutes of the United States, as well as the regulations of the Internal Revenue Department, are full of requirements intended to secure to the Government from the manufacturer a tax equal to 6 cents per pound on all tobacco manufactured by him. Any person, excepting the grower, who sells tobacco direct to the consumer, or to any person other than a duly registered dealer and manufacturer, is deemed a manufacturer and must pay the 6 cents per pound tax. The farmer or grower himself can sell to anyone tobacco grown on his farm without any payment whatsoever of taxes.

As I understand it, it is the purpose of this bill to change this law and permit anyone to deal in leaf tobacco without registration and without the payment of the 6 cents tax. This bill, as I understand, has primarily been designed for the benefit of the growers. This, to my mind, is founded on an unwarranted assumption, as I am informed that the growers in Wisconsin, Ohio, Pennsylvania, Connecticut, and a large body in Kentucky—the larger body, I might say, in Kentucky—do not favor the adoption of this bill. The only growers that seem to favor this bill reside in Tennessee and a small portion of Kentucky, who grow what is commonly known as dark tobacco. This tobacco, according to their own statement, has been sent to foreign countries, or at least 90 per cent of it, on which they have never been required to pay any duty or tax. For some reason their trade in foreign countries has been reduced. I do not care to go into that. It has already been stated before your committee why the competition has been taken from them. And now they come praying you for relief through the adoption of this bill, which unquestionably would injure other growers in this country of tobacco and also all tobacco manufacturers, as well as leaf dealers and cigar manufacturers. I say that for the reason that if this bill is passed and becomes a law it will not produce or make one customer more for either chewing or smoking tobacco than we have to-day; and therefore the number of pounds of this dark tobacco that is sold in this country free of tax will simply stop the sale of other tobacco grown in this country on which the Government receives a tax of 6 cents per pound.

Did not Mr. Fort on last Monday before your committee state that he believed that if this bill became a law the farmers in the dark-tobacco district would sell at least 50,000,000 pounds of their tobacco at home, or in this country? Taking his statement as a fact, it would be about one-third of all the tobacco grown in that district; and applying that same per cent to the tobacco grown in the whole of the United States we find that there would be sold 200,000,000 pounds per year, free of tax, on which the Government now receives \$12,000,000 revenue. According to this statement, the Government would not only lose \$12,000,000, but the manufacturing industry of tobacco would be demoralized, a great many independent tobacco manufacturers would be ruined, their hands would be thrown out of employment, and there would be more people affected who to-day depend upon the industry of manufacturing tobacco for a living

than the entire population in what is known as this dark-tobacco section. These people who for years have known nothing else but to work in the tobacco manufacturing plants would have to seek other employment for a livelihood.

You heard it stated in this committee this week that the farmers of Kentucky were in favor of this bill. At the time you held your last session, Monday, 18th, of this week, there was in this city Mr. Clarence Le Bus, the president of the Burley Growers' Association of Kentucky, who was brought here by a telegram from Senator McCreary. Mr. Le Bus did not appear before your committee for the reason that he was opposed to this bill; and he told me in the presence of witnesses that he had written a letter to Senator McCreary setting forth his position, and that the farmers in his section were all opposed to this bill. That gentleman controls over 65 per cent of the burley tobacco grown in Kentucky to-day. He claimed that he was in favor of the growers having a right to strip, sweeten, and twist and sell their goods free of tax; and that, with the understanding that the same privilege was not given to the tobacco manufacturers of the United States, but in case the tobacco manufacturers had the same right, then he was opposed even to such a bill as that. He wanted an "inside" of 6 cents a pound over everybody else or he did not want that.

We as independent tobacco manufacturers claim that Congress should assist us in disposing of our goods instead of passing a law to demoralize or ruin our business. This bill would make an opening or opportunities for illicit manufacture. There is no registration or account kept of sales. Therefore there is no way in which the revenue authorities could supervise any tobacco manufacturer. As it is to-day, we are all compelled to keep an accurate record, open continuously to the inspection of the Government authorities. This bill does not require that, and therefore a great many manufacturers, we feel, would find a way in which they could manufacture tobacco without the payment of the revenue tax, which would place reputable concerns at a very great disadvantage.

The firm I represent, Frishmuth Brothers & Co., of Philadelphia, was the first registered tobacco manufacturer in the United States. We have been continuously in this business for ninety-seven years and at present have the fourth generation. This bill, I am positive, if allowed to run four years would wipe out our entire business, and according to the statement of Mr. Fort it would be done in much less time. We claim that if the Government can afford to reduce the tax on tobacco they should make it uniform. If they can afford to take it off, take it all off and place us all on the same footing. But we do not believe a law should be passed such as this is, which will benefit a few farmers to the detriment and destruction of vast business interests.

I might add, however, that the price fixed for the 1906 crop by growers in the dark-growing section is higher than it has been for the same goods for a number of years. That was the list I handed you the other day.

The CHAIRMAN. I think perhaps we had better put that list into the record as part of your statement.

(The list referred to, the same being taken from the Louisville Times of February 16, 1907, is as follows:)

DARK-TOBACCO PRICES FIXED FOR 1906 CROP.

Clarksville, Tenn., February 16. The Dark Tobacco Growers' Association has fixed the following prices for the 1906 crop of tobacco. It has announced that no crop will be sold for less than the amount named, as follows:

Brand.	Grade.	Per 100 pounds.	Brand.	Grade.	Per 100 pounds.
Italian	A	\$17.00	Lugs—Continued.		
Do	B	15.00	Good		\$7.50
Do	B-2	13.00	Fine		7.50
Do	C-1	11.00	African and bailors:		
Italian, low	C	9.50	Common		9.00
Austrian	A	17.75	Medium		9.00
Do	B-1	15.50	Good		10.00
Do	B-2	13.50	Fine		12.00
Do	C-1	12.50	Spinners:		
Do	C-2	11.50	Fine		14.00
French	A light	11.50	Good		12.00
Do	B light	9.50	Medium		10.50
Do	B C	9.00	Common		9.50
Do	C	8.50	Nubbins		9.00
French, low	C	8.00	Plug wrappers:		
French	A heavy	12.00	Fancy		20.00
Do	B heavy	9.75	Fine		16.00
Do	C heavy	9.00	Good		15.00
Spanish	A leaf	11.00	Medium		14.00
Do	B leaf	9.50	Common		13.00
Do	C leaf	9.00	Snuff leaf:		
Low lugs (trash)		6.00	Fine		12.00
Lugs:			Good		11.00
Common		6.25	Medium		10.00
Medium		6.75	Common		9.00

Mr. MILLER. If they through their association can regulate the acreage planted, and, through their committee of five men, the price at which their tobacco shall be sold, we see no way to stop them getting their fixed price for their tobacco. But it looks very much to me as if these people were in a combination to restrict growing, and are trying to force up the price, and asking Congress to open a market in which they can dispose of their product to the detriment of other farmers or growers who have equal rights with them. However, I repeat that this bill will not produce a market for one extra pound of tobacco, either smoking or chewing, in the United States. Therefore every pound sold under this bill free of tax must stop the sale of another pound of tobacco on which tax would be paid.

With these remarks I desire to place before you the resolutions adopted by the Independent Tobacco Manufacturers' Association of the United States, passed at their annual meeting held at the New Willard Hotel in this city on January 31, 1907.

This memorial is signed by the officers of our association. They comprise manufacturers who are absolutely independent. I say that because for the last three years we have required an affidavit; when a firm makes application to become a member of our independent organization, every member of that firm must make an affidavit that they are not in any way connected with what is commonly known as the tobacco trust. These gentlemen, as officers of this association, have signed this memorial; and they represent factories located in eight different States.

I submit that memorial. There is no use in my taking your time to read it.

(The memorial referred to is as follows:)

WASHINGTON, D. C., January 31, 1907.

To the honorable members of the Finance Committee
of the United States Senate, Washington, D. C.:

At a meeting of the Independent Tobacco Manufacturers' Association of the United States, held at the New Willard Hotel, Washington, D. C., January 31, 1907, the following resolution was unanimously adopted, viz:

"Resolved, That we respectfully protest against the passage of H. R. bill 14972, commonly known as the 'free leaf bill.'"

This bill has primarily been designed for the benefit of the grower in the present tobacco-growing districts, consisting of three or four States. We believe, however, this is founded on an unwarranted assumption. In 1890 a law was passed somewhat similar to the law now proposed, which law was subsequently repealed in 1894. During the period that this law was in effect, it is understood that the consumption of raw leaf on which no tax was paid rose to 15,000,000 pounds per annum, notwithstanding that the seller was then required to make a record of every sale made, which is not required in this bill, and we believe that with the greater increased consumption of tobacco since 1894 that the consumption of raw leaf will quickly rise to 50,000,000 pounds per annum, from which the Government will derive no revenue. During the same period the price of leaf tobacco in the principal leaf markets of the United States reached probably the lowest prices in the history of the trade.

The proposed law would be disastrous to the independent tobacco manufacturers, and would have the effect of driving many of them out of business, after having devoted the best years of their lives to the upbuilding of a business which this proposed bill will seriously jeopardize, if not entirely destroy; and which is paying the Government in all of its branches nearly fifty millions per annum, and so remove the only competitors which the farmers now have against the one great buying interest.

Under the proposed law growers in the present tobacco-growing districts will also suffer greatly, because a new class of growers will arise all over the United States, raising small crops of leaf for consumption in their immediate vicinity.

We believe that the Government will suffer severely in the loss of revenue that is now paid into the Treasury by the bonded tobacco manufacturers by the opportunities for illicit manufacture, as the bill requires no registration; consequently no efficient supervision by the Government officials is possible.

We believe this is class legislation and pernicious, inasmuch as it discriminates against the manufacturer who is obliged to pay his internal-revenue tax, whereas this bill allows the tobacco to go to the consumer without payment of tax.

Executive committee.

Name.	Title.	Address.
H. D. Miller	President of Frishmuth Bros. Co.	Philadelphia, Pa.
Hugh Campbell	Vice-President United States Tobacco Co.	Richmond, Va.
Richard F. Whalen	Secretary and Treasurer R. Whalen & Co.	Rochester.
Samuel S. Bloch	President The Bloch Bros. Tobacco Co.	Wheeling, W. Va.
William E. Strater	Secretary Strater Bros. Tobacco Co.	Louisville, Ky.
Geo. T. Brown	President Brown & Williamson Tobacco Co.	Winston-Salem, N.C.
C. D. Larus	President Larus & Prater	Richmond, Va.
Albert Weisert	Of Weisert Bros. Tobacco Co.	St. Louis, Mo.
W. F. Axton	Of Axton-Fisher Tobacco Co.	Louisville, Ky.
Benjamin Pearson	Of Byfield Snuff Co.	Byfield, Mass.
F. D. Ware	Of Ware-Kramer Tobacco Co.	Norfolk, Va.

The CHAIRMAN. The committee have also received copies of the above memorial signed by the following names:

Ogbrun, Hill & Co., Winston-Salem, N. C.
 The J. F. Zahm Tobacco Company, Toledo, Ohio.
 W. L. Tucker Tobacco Company, Evansville, Ind.
 J. N. Cullingworth (Incorporated), Richmond, Va.
 Penn Tobacco Company, Wilkes-Barre, Pa.
 L. B. Tenent Company, Cincinnati, Ohio.
 The Blue Grass Tobacco Company, Louisville, Ky.
 Bailey Brothers (Incorporated), Winston-Salem, N. C.
 Ryan-Hampton Tobacco Company, Louisville, Ky.
 Monarch Tobacco Works, Louisville, Ky.
 Scotten, Dillon Company, Detroit, Mich.
 The Pinkerton Tobacco Company, Zanesville, Ohio.
 The E. O. Eshelby Tobacco Company, Cincinnati, Ohio.
 Boone Tobacco Company, Clarkeville, Mo.
 Wemple-Gravely Tobacco Company, Danville, Va.
 Taylor Bros., Winston-Salem, N. C.
 Fluhrer Tobacco Company, Boonville, Ind.
 Fulton Hill Tobacco Company, Troy, Ind.
 Buren Martin & Co., Greenville, Ky.
 Cumberland Tobacco Works, Nashville, Tenn.
 Brunswick Tobacco Company, Brunswick, Mo.
 L. Warwick Brown & Co., Utica, N. Y.
 The Whitaker-Harvey Company, Winston-Salem, N. C.
 Eagle Tobacco Company, Quincy, Ill.
 Owen Tobacco Works, Eagleville, Tenn.
 J. D. Rowlett, Murray, Ky.
 Crescent Tobacco Company, Nashville, Tenn.
 Noel Tobacco Company (Incorporated), Gentryville, Ind.
 Myers, Cox & Co., Dubuque, Iowa.
 Robt. Harris & Bro.
 Globe Tobacco Company.
 Lovell & Buffington Tobacco Company.
 Larus & Bro. Company.

While we are not members of the Independent Tobacco Manufacturers' Association, we most heartily concur in the above protest. John J. Bagley & Co., Detroit, Mich.

The CHAIRMAN. The intimation was made here last week by some gentleman, I do not remember who, that most of you gentlemen were either nearly or remotely connected with the American Tobacco Company.

Mr. MILLER. That is just the reason I incorporated that in this statement—that we as independent manufacturers to-day have a by-law under which, whenever a firm makes application for membership, that firm and all its officers must make an affidavit that they are not in any way connected with what is commonly known as the "Tobacco Trust."

The CHAIRMAN. What portion of the so-called "twist tobacco" that is manufactured in the United States is made by the independent manufacturers here? Can you give me any idea?

Mr. MILLER. I presume from 75 to 80 per cent of it.

The CHAIRMAN. Of the tobacco that would be most nearly affected by this legislation?

Mr. MILLER. Yes, sir.

Senator DANIEL. Who is this tobacco trust, Mr. Miller; do you know?

Mr. MILLER. Now, Senator, you are asking a difficult question. I do not know the tobacco trust. I do not use that expression myself, you will notice. I say it is "commonly known as the tobacco trust."

Senator DANIEL. Well, what is commonly known as the tobacco trust.

Mr. MILLER. The American Tobacco Company, I presume, is what the title is applied to.

Senator DANIEL. I suppose so, too, but I do not know. How about the Imperial Tobacco Company?

Mr. MILLER. They are only buyers of leaf tobacco in this country.

Senator DANIEL. That is a matter we are concerned with here.

Mr. MILLER. I could not say with regard to whether they are affiliated with the American Tobacco Company or not.

Senator DANIEL. Is it not generally understood that they are?

Mr. MILLER. It is so understood in the farming districts—the leaf-tobacco districts.

Senator DANIEL. Yes, sir. I am just asking for what you know. I thought, perhaps, you might know. You would not object to the tobacco tax being reduced if it is reduced all around?

Mr. MILLER. No, sir.

Senator DANIEL. And what is the organization of the Independent Tobacco Manufacturers' Association? What organization have they?

Mr. MILLER. A mutual organization. They are not incorporated.

Senator DANIEL. They are not incorporated?

Mr. MILLER. No, sir.

Senator DANIEL. You are the president of the association?

Mr. MILLER. Yes, sir.

Senator DANIEL. What other officers have you?

Mr. MILLER. We have a president, a vice-president, a secretary and treasurer, and five directors.

Senator DANIEL. Have you a charter of any kind?

Mr. MILLER. Nothing except our by-laws.

Senator DANIEL. Will you let me see the by-laws?

Mr. MILLER. I have not them with me.

Senator DANIEL. You say that none of these independent manufacturers are affiliated with the tobacco trust or with the American Tobacco Company?

Mr. MILLER. I say that with a great deal of confidence, believing that no man who has sufficient ability to be classed as a business man would make an affidavit contrary to the facts.

Senator DANIEL. And they do all of them make affidavits to that effect?

Mr. MILLER. Yes, sir. Every member of the firm is compelled to make an affidavit that he is in no way connected with them before we will admit him to our association.

Senator DANIEL. That is required by your association?

Mr. MILLER. Yes, sir.

Senator DANIEL. I would like to see your by-laws. Do they require that?

Mr. MILLER. Yes, sir.

Senator DANIEL. I am just asking you to get the facts; I am not making any charge at all about it. So far as I know and believe, the main independent tobacco company in Lynchburg, perhaps the largest, has no connection with the trust.

Mr. MILLER. We do not claim, Senator, that we absolutely have all the independent people in our association; but we do claim that what are in it are independent.

Senator DANIEL. Can you give me a list of those who are in it?

Mr. MILLER. Yes, sir; I can give you that. I can not give it to you to-day. I can give you the list; I can also give you the affidavit that is required to be signed.

The CHAIRMAN. We already have before the committee a very large number of petitions, signed by different manufacturers. Can you tell me how many we have?

The CLERK. I have not counted them. There are a great many.

Senator DANIEL. I have before me here, Mr. Miller, a speech made by Hon. Joel B. Fort, of Robertson County, Tenn.

The CHAIRMAN. He is the man that was here the other day—the attorney.

Senator DANIEL (continuing). On November 12, 1906, to the Dark Tobacco Growers' Association, of Treat County, Ky. He states in that speech that the first year they will put \$1,500,000 into the pockets of the farmer which would have gone into the pockets of the tobacco trust; that next year they will put more than \$3,000,000 into the pockets of the farmer. That, as I understand, is his view of the benefit which has been brought about to the Dark Tobacco Growers' Association by their association and united efforts. That is the way I understand. I think I asked him the question if the rise in the price of tobacco which he refers to was not in some measure due to the general rise of prices in this country; and I would like to have your view, if you have any, as to what has been the cause of the rise in the price of dark tobacco.

Mr. MILLER. I can only answer that in a general way, Senator, for the reason that we as manufacturers here use so little dark tobacco that we are not in touch with the situation except from hearsay. I believe he was correct in his statement that his association, in their united effort to maintain the price, had a great deal to do with the advance in the price of that leaf tobacco.

The CHAIRMAN. You mean of dark tobacco?

Mr. MILLER. Of their dark tobacco; yes, sir.

The CHAIRMAN. My impression is, Mr. Daniel, that I asked him all those questions.

Senator DANIEL. I find some here that I asked.

The CHAIRMAN. But I think if we are going to put in any additional statement of his he ought to be here to be examined in regard to it.

Senator DANIEL. I should be glad to have him here.

The CHAIRMAN. I should think you could see the pertinency of that.

Senator DANIEL. Oh, that is all right. All that I am trying to do is to get at the facts as nearly as I can.

The CHAIRMAN. I find upon examination that we have petitions from about 40 different manufacturers.

Mr. MILLER. Independent manufacturers?

The CHAIRMAN. Independent manufacturers. How many members have you of your association?

Mr. MILLER. I think there are only about thirty-odd. I could not give you the exact number.

The CHAIRMAN. I remember that a Michigan concern, the old-established concern in Michigan, wrote us a letter and said that they

were independent manufacturers, but not members of your association.

Mr. MILLER. Yes, sir; there are quite a few of them. There are 67 independent tobacco manufacturers in the United States, I believe, at present that amount to anything.

Senator DANIEL. I observe the statement by Mr. Fort, that the American Tobacco Company bought out the only independent manufacturer of tobacco at Nashville at \$250 per share of stock the other day. Do you know whether the American Tobacco Company is buying out the independent manufacturers or not?

Mr. MILLER. That has been their policy; yes, sir.

Senator DANIEL. Do you know how many they have bought out?

Mr. MILLER. All the factories that they have they have bought at different periods from their formation.

Senator DANIEL. What do you mean, Mr. Miller, when you say that the abolition of this tax as to the tobacco growers—I mean, giving them the right to sell the leaf free to anybody—would injure other growers? What other growers do you refer to?

Mr. MILLER. According to their statement, Mr. Daniel, their tobacco all goes abroad. There is none of it sold in this country.

The CHAIRMAN. About 80 per cent, was the statement.

Mr. MILLER. Ninety per cent, they claim here. Ninety per cent of their tobacco goes abroad.

Senator DANIEL. You mean the dark tobacco?

Mr. MILLER. The dark tobaccos. If you stop that in this country it is not going to make new consumers for tobacco. Consequently it must come off of the other farmer who has been supplying the trade in the United States.

Senator DANIEL. You think to the extent that the exportation of the dark tobacco occupied the European market, it would displace the light tobacco?

Mr. MILLER. It certainly would, for the reason that it would not produce any more consumers.

Senator DANIEL. But are not the two tobaccos employed in filling a different order of demand? Take the cigarettes, for instance—they do not put the dark tobacco into cigarettes?

Mr. MILLER. No, sir.

Senator DANIEL. It therefore would not interfere with the light tobacco market for cigarette purposes?

Mr. MILLER. No, sir.

Senator DANIEL. And it does not in a large degree enter into smoking tobacco, does it?

Mr. MILLER. They anticipate that it will do so in the southern section.

Senator DANIEL. I am not talking about what they anticipate, but at present the light tobaccos go, as I understand—I am not perfectly familiar with the matter—into the cigarette trade and into the smoking tobacco trade?

Mr. MILLER. Yes, sir.

Senator DANIEL. What is the dark tobacco used for?

Mr. MILLER. The dark tobacco that is sold in this country to-day is sold for snuff.

Senator DANIEL. The light tobacco is not sold for snuff, is it—what they call the Virginia and North Carolina bright leaf?

Mr. MILLER. No, sir.

Senator DANIEL. It is not used for snuff?

Mr. MILLER. No, sir.

Senator DANIEL. What is it used for in Europe?

Mr. MILLER. The light goods?

Senator DANIEL. No; the dark tobacco.

Mr. MILLER. For chewing and smoking.

Senator DANIEL. To what extent for smoking? It is used for snuff there, too, is it not?

Mr. MILLER. I presume that more than half of it would be used for smoking.

Senator DANIEL. More than half of the dark tobacco would be used for smoking?

Mr. MILLER. Yes, sir.

Senator DANIEL. That is the case now, you say?

Mr. MILLER. Yes, sir.

Senator DANIEL. And you think the result would be that the demand for the dark tobacco for smoking would increase if this tax was cut off?

Mr. MILLER. In this country?

Senator DANIEL. Yes.

Mr. MILLER. Why, certainly it would.

Senator DANIEL. As it takes the tax off of the light tobacco, too, would not the demand for that increase also?

Mr. MILLER. Why, Senator, you are getting the two extremes; you are taking the dark and the light. The dark would not compete with the light tobacco so much as it would with the burley tobaccos which are used for chewing and smoking purposes, which they anticipate that their dark tobacco would be used for.

Senator DANIEL. But would there not be an increased demand for the burley and for the light tobacco with the tax off, just as there would be for the dark tobacco with the tax off?

Mr. MILLER. No, sir.

Senator DANIEL. Why?

Mr. MILLER. Oh, I did not understand your question. I will say yes; yes, sir.

Senator DANIEL. Then, if there is an increased demand in Europe, all classes of tobacco would bring a better price?

Mr. MILLER. But here is the point: If Mr. Gaines is growing tobacco in the dark section and selling it across the water, and Mr. Campbell is raising tobacco in this country and selling it to you, and Mr. Gaines stops selling his tobacco abroad and comes to sell it to you, Mr. Campbell can not sell you as much tobacco, because there will not be any more consumers produced. That was my statement.

Senator DANIEL. But as I understand you the taking of the tax off of the tobacco increases the demand for it in Europe. If it increases the demand for it in Europe on the dark, on the burley, and on the light, of course it is going to increase the price of all of them. That is true wherever you increase the demand, is it not?

Mr. MILLER. No; I misunderstood your question, Senator.

The CHAIRMAN. I understood Mr. Miller's statement to be this: That if the dark tobacco producer's idea and contention were carried

out, and they should sell, as the result of this legislation, 50,000,000 pounds of tobacco per annum in this country, that necessarily would take the place of some other tobacco that is now sold here by other growers.

Mr. MILLER. That is my statement exactly.

The CHAIRMAN. That is what I understood to be your statement, Mr. Miller.

Mr. MILLER. That is my statement exactly.

The CHAIRMAN. He does not assume that there would be 50,000,000 pounds sold; he is simply taking Mr. Ford's statement and the statement of the other gentlemen here the other day.

Mr. MILLER. That is it.

Senator DANIEL. The point I make is to bring out his opinion that the taking off of this tax will increase the demand on all three classes of tobacco in the European market. I am content to let it rest there.

Mr. MILLER. I am not answering the question in that way, Senator.

(At this point Senator Daniel stated informally, and not for the record, his understanding of what Mr. Miller had stated on the point under discussion.)

Mr. MILLER. Oh, no, Senator.

Senator DANIEL. Do you want to retract that?

Mr. MILLER. I will retract if I said that; because, as I said, Senator, I misunderstood you if I answered a question of that kind. I meant to state that whatever dark tobacco was sold in this country free of this tax under this bill would simply stop the sale of an equal amount of other tobaccos grown in this country by other growers on which a tax would be paid.

Senator DANIEL. But suppose, Mr. Miller, you take the tax off of the three classes of tobacco which you have mentioned—the dark, the burley, and the light—would not the same influences that made freer the trade in the one operate to the same extent upon the other?

Mr. MILLER. I judge so.

Senator DANIEL. If that is so, then there would be greater sales by the farmer of the burley, greater sales of the light, and greater sales of the dark; and if there was a general increase of the sale, how would the sale of one hurt the other?

Mr. MILLER. Senator, you can only sell what the people demand or desire. We have a consumption for all the tobacco grown in this country to-day without the dark tobacco. If you stop the dark tobacco and make it sell in this country instead of sending it abroad, you curtail or cut off some other growers on other tobacco.

Senator DANIEL. If you restrict the two and let one go, of course that one would go more: but there is no attempt here to treat them differently.

Mr. MILLER. I say, if you let them all go free, they will only sell so many pounds. There are only so many consumers.

Senator DANIEL. But would not the freer market to the farmer for the tobacco tend to enable him to sell more pounds of tobacco than he does now?

Mr. MILLER. Do you think it would increase the man's chewing, in the case of the man that now chews 10 cents' worth, so that he would chew 20?

Senator DANIEL. I am not answering questions, Mr. Miller.

Mr. MILLER. He would have to, to make an increased consumption. Senator DANIEL. But I have a right to ask you questions. You are the witness, and I am not.

Mr. MILLER. I beg your pardon.

Senator DANIEL. And then you know a great deal more about this subject than I do. I am not a tobacco expert, by any means. I want to get the true judgment of the men who are testifying. I ask you the question if you do not believe that the taking of this tax off of tobacco, so that the farmer could sell the tobacco freely, black and burly or Virginia and North Carolina bright, would increase the sales of the farmer?

Mr. MILLER. I do not.

Senator DANIEL. Do you not think it would enable him to get a better price for his tobacco?

Mr. MILLER. I presume it would to the extent of the tobacco that he could sell direct to the consumer in competition with the manufacturer, who is forced to pay 6 cents a pound.

Senator DANIEL. And do you not think that if he could sell more readily it would increase his sales?

Mr. MILLER. It might for a short time, but it would seek its level, for the reason that it would not get the man who smokes a bag of tobacco a day to smoke two, nor would it make the chewer who chews a 5-cent plug a day chew two plugs. Consequently it would not increase the consumption of tobacco; and it would only open a new channel of trade for him, instead of the manner in which the trade is conducted to-day.

Senator DANIEL. But you think the benefits of it would go to the farmer?

Mr. MILLER. All new things are beneficial for a short time, at least, until they get about.

Senator DANIEL. I do not know that all new things are beneficial. We are speaking about the operation of this law.

Mr. MILLER. I answer that by saying that if we were to put out a new brand of tobacco to-day of course we can sell that until we get it once over the territory. Whether or not the duplicate orders will come in sufficiently to keep the trade up afterwards is another question.

Senator DANIEL. What do you manufacture in your house, Mr. Miller?

Mr. MILLER. All cut tobaccos; nothing in the plug line, but all kinds of cut tobaccos, such as scraps, smoking, and fine-cuts, etc.

Senator DANIEL. What are the raw materials of those tobaccos—I mean the classes?

Mr. MILLER. Virginia burlies; Pennsylvania, Connecticut, Wisconsin, and Ohio tobacco.

Senator DANIEL. What styles of tobaccos, I mean?

Mr. MILLER. We cut scraps, what are known as long-cuts, granulated, and fine-cut chewing tobacco.

Senator DANIEL. Do you buy dark as well as bright tobaccos?

Mr. MILLER. Yes, sir; but not in the same proportion.

Senator DANIEL. And burley?

Mr. MILLER. Mostly burley.

Senator DANIEL. What is the average cost of the raw material to you?

Mr. MILLER. I could not tell you the average cost on account of the different classes of leaf. If you take the average cost of burlies, I should say, possibly, 9 cents. That is the greater percentage of our output.

Senator DANIEL. Where do you buy that?

Mr. MILLER. On the breaks at Cincinnati and Louisville.

Senator DANIEL. And what other kind?

Mr. MILLER. We use Virginia tobacco.

Senator DANIEL. What is the average price for that?

Mr. MILLER. We make a better class of goods out of that. Our Virginia possibly would cost us 14 cents.

Senator DANIEL. That is Virginia bright, is it?

Mr. MILLER. Yes, sir; bright goods.

Senator DANIEL. And then as to dark tobacco?

Mr. MILLER. The dark tobaccos we run in our cheaper grades of goods. They would cost on the average possibly $7\frac{1}{2}$ cents.

Senator DANIEL. So that 9, 14, and 7 are about the average costs of those three styles of tobacco?

Mr. MILLER. Then we handle a great deal of Ohio, Pennsylvania, Connecticut, and Wisconsin tobacco.

Senator DANIEL. What kind of tobaccos are those?

Mr. MILLER. Those are what are known as cigar tobaccos, and are made up into scrap tobacco for chewing.

Senator DANIEL. Then what do you sell that tobacco at?

Mr. MILLER. We sell a 3-ounce package of the latter for 5 cents.

Senator DANIEL. Which do you mean?

Mr. MILLER. The Pennsylvania and Connecticut and Wisconsin tobacco.

Senator DANIEL. The scrap tobacco?

Mr. MILLER. The scrap tobacco.

Senator DANIEL. What do you get a pound for the Virginia brights?

Mr. MILLER. We get anywhere from 32 to 63 cents, according to the manner of packing.

Senator DANIEL. What intermediate items of cost are there between the 14 cents that you pay for the raw material and the 32 that you get for the finished product?

Mr. MILLER. First, one-third, at least, of the original tobacco disappears in the stemming.

Senator DANIEL. That is a partial loss?

Mr. MILLER. It is all loss.

Senator DANIEL. But you do something with the stems?

Mr. MILLER. We can not use the stems.

Senator DANIEL. You sell them, though?

Mr. MILLER. When we can get a customer we sell them for a quarter of a cent a pound.

Senator DANIEL. That is a quarter of a cent, at any rate.

Mr. MILLER. If we do not get a customer, we give them away.

Senator DANIEL. That is about a quarter of a cent a pound that you get for the stems?

Mr. MILLER. We do not average that; no, sir. We do not sell half our stems.

Senator DANIEL. Then what else? A 6-cent tax comes in?

Mr. MILLER. A 6-cent tax. Then there is the factory expense, which would be at least 4 cents, and the bags, the cartons.

Senator DANIEL. What do they cost?

Mr. MILLER. The bags cost about \$2.85 to \$3 a thousand. I am speaking of the little 5-cent bags.

Senator DANIEL. About a quarter or a third of a cent each?

Mr. MILLER. Yes.

Senator DANIEL. What else?

Mr. MILLER. The cartons for the 5-pound packages—I could not give you the exact cost, Senator.

Senator DANIEL. What kind of cartons are they?

Mr. MILLER. A carton is a box that holds 5 pounds.

Senator DANIEL. They are boxes?

Mr. MILLER. Yes, sir.

Senator DANIEL. What is the cost of the material you put on the tobacco?

Mr. MILLER. What do you mean?

Senator DANIEL. The average cost of the material you put on the tobacco?

Mr. MILLER. Senator, there are so many different grades of tobacco and so many different sweetenings—

Senator DANIEL. I mean Virginia bright tobacco.

Mr. MILLER. Most of those goods are sold with very little added to them.

Senator DANIEL. Then about what is the cost of that tobacco per pound?

Mr. MILLER. I would not want to make a statement of that, because I would not be capable of answering the question intelligently.

Senator DANIEL. What substance do you use?

Mr. MILLER. What substance?

Senator DANIEL. Yes.

Mr. MILLER. Flavor.

Senator DANIEL. What kind of flavor?

The CHAIRMAN. That is hardly a fair question, I think, Senator.

Senator DANIEL. I do not know about that. I would not ask the question—

The CHAIRMAN. I do not think a man who comes here ought to be required to tell his trade secrets. I do not think that would be fair.

Senator DANIEL. I did not know that it was a trade secret.

The CHAIRMAN. It is pretty sure to be, I imagine.

Senator DANIEL. I have seen them put up tobacco in Lynchburg very often, and there is no trade secret about it. But there may be others in which there are trade secrets, and I am simply attempting to get the cost of it.

Mr. MILLER. Senator, your last question simply asks me for my formula of making my tobacco.

Senator DANIEL. No; I did not ask you for your formula.

Mr. MILLER. It is practically the same thing.

Senator DANIEL. I asked you for the cost of your formula, which I have a right to ask you. I do not want to penetrate your trade secrets.

Mr. MILLER. I understand; I do not anticipate that you are going into the tobacco business.

Senator DANIEL. I would not ask any question the gentleman considered to be unfair unless it arose in such a manner that I felt it my duty to do so. But what is the average cost per pound of the flavor that you do put in? You have surely made an estimate of it in your house, I should suppose.

Mr. MILLER. I presume a cent a pound.

Senator DANIEL. Is there any other cost?

Mr. MILLER. Yes, sir; there are cases for the 25, 50, and 100 pound shipments—wooden cases.

Senator DANIEL. What would they average per pound of tobacco that you handle?

Mr. MILLER. In the smaller cases they would average about a cent a pound, and for the others 80 cents a hundred and about 60 cents a hundred, according to the size.

Senator DANIEL. About two-thirds of a cent a pound?

Mr. MILLER. Yes; about two-thirds of a cent a pound.

The CHAIRMAN (addressing Mr. Campbell, who also wished to be heard by the committee). Mr. Campbell, we will hardly be able to hear you to-day, because it is now almost 11 o'clock, and it is very evident that we will not get through with this witness. We will fix a time to hear you some time next week.

Senator DANIEL. Are there any other costs between you and the purchaser?

Mr. MILLER. The largest cost of all, Senator, is after the tobacco leaves us, in a general way, for the reason that our selling end of it possibly costs fully as much if not more than our manufacturing.

Senator DANIEL. The disposing of the goods on the market?

Mr. MILLER. Yes, sir; advertising and disposing of them.

Senator DANIEL. Have you estimated the average amount of that in your house?

Mr. MILLER. Yes; we have tried to. We have so many different lines of business that we try to divide off what belongs to each one and put it there; but at the same time we figure—

Senator DANIEL. What is your estimate of the average cost that would apply to the Virginia bright leaf?

Mr. MILLER. The Virginia goods?

Senator DANIEL. The Virginia bright leaf. That is what we are looking at now.

Mr. MILLER. Oh, we generally charge off 2 cents a pound for the selling of that.

Senator DANIEL. Two cents a pound. After that what you get for it is profit?

Mr. MILLER. Yes, sir.

Senator DANIEL. That is all I wish to ask you about that.

The only difference between the tobacco that you sell and the tobacco that you buy, as I understand, is the flavor that you put into it, for one thing, and the granulation, and what else?

Mr. MILLER. And the manner in which it is packed. Some of it is packed in fine linen bags; some of it is packed in paper packages; some of it is packed in decorated tin boxes that cost us 25 cents a pound for the boxes alone.

Senator DANIEL. What does that granulation of the leaf cost you per pound? You have the stemming of the leaf, do you not?

Mr. MILLER. Yes, sir.

Senator DANIEL. You sell the stem, or dispose of the stem, at a small price per pound, and you granulate the tobacco, or mash it up in some shape. Then you put it into boxes. Then you sell it with this flavoring on it that you speak of. Those are the only costs except the cost of sale, are they?

Mr. MILLER. That depends on what side you are looking at, Senator. If you are looking at the bulk of tobacco after it is made, I have answered as to that. If you are looking at the actual cost per pound of the material that goes into the tobacco, I will say to you that it is not my statement. I have made a statement as to the cost per pound of the tobacco that was produced in bulk, ready to pack.

Senator DANIEL. It costs you 14 cents per pound, on the average, according to your idea, for Virginia bright?

Mr. MILLER. Yes, sir.

Senator DANIEL. What I wanted to get were the other charges that came out of you before you sold that tobacco.

Mr. MILLER. That is what I have attempted to answer, in the bulk.

Senator DANIEL. I have no doubt you have done so; my question was simply intended to elicit your view.

Mr. MILLER. But Mr. Campbell has just come to me and said that I made a mistake in one thing, in answering about my flavor, that the licorice costs me 9 cents a pound. The licorice that goes in costs 9 cents a pound, but as it is produced in the bulk it does not cost that.

Senator DANIEL. But do you put that on the bright leaf?

Mr. MILLER. No, sir.

Senator DANIEL. That is all right, then. I was speaking of the bright leaf. From whom do you buy your licorice? On what market?

Mr. MILLER. Bright Virginias?

Senator DANIEL. Oh, no. When you put licorice in your tobacco, from what market do you get it?

Mr. MILLER. We manufacture it.

Senator DANIEL. You manufacture licorice yourself?

Mr. MILLER. Yes, sir. We are the only manufacturer of licorice, outside of the trust, in the United States.

Senator DANIEL. Is yours an independent licorice factory?

Mr. MILLER. It is absolutely independent. We own it. It has been forced upon us within the last few months. We went into the manufacture of licorice on that account.

Senator DANIEL. How was it forced upon you?

The CHAIRMAN. Mr. Daniel, do you think we ought to go into those things here?

Senator DANIEL. I certainly do.

The CHAIRMAN. It is within three minutes of 11. We will have this witness here at some other time, if you wish.

Senator DANIEL. I will use those three minutes, then.

The CHAIRMAN (after looking at clock). No; I see that it is ten minutes after 11.

Mr. MILLER. Two years ago, in my annual statement before the association in New York, I told them that the most critical thing

in our business, to my mind, was the licorice situation. We formerly paid $5\frac{1}{2}$ cents for licorice. It was then 11 to $11\frac{1}{2}$ cents; and I had, through my investigation, found that the whole of the output was controlled by the trust. Therefore, I advocated going into the licorice business. It is hard work to get a body of men to go into a new business, and consequently I could not get them to do it; but in the meantime I had been forced myself to purchase some licorice root, so as to have the root in case we had to go into the business. When we could not form a company, I had to go into the business myself. That is a long story made short.

Senator DANIEL. What does the trust charge you for licorice? Nine and a half cents, is it?

Mr. MILLER. Their present price, as I understand it, is 9 cents.

Senator DANIEL. What trust do you mean?

Mr. MILLER. In New York, in the verdict against McAndrews & Forbes, only a few weeks ago, it was decided that they were a trust, as I understand it, and controlled by the American Tobacco Company.

Senator DANIEL. What is the average cost per pound of the licorice that you manufacture?

The CHAIRMAN. Mr. Daniel, I think that is hardly a fair question.

Senator DANIEL. Is that question excepted to? If so, why?

The CHAIRMAN. I think it is hardly fair to ask him to give away his business secrets here.

Senator DANIEL. I do not think so. That is just what we are after.

The CHAIRMAN. I do.

Senator DANIEL. I do not. I beg leave to differ with the chairman on that subject.

Mr. MILLER. Senator, has that anything to do with the 6-cent tax on tobacco?

Senator DANIEL. I think it has, because you sell the licorice in the tobacco at so much per pound.

Mr. MILLER. We do not sell licorice. We only make it for our own use.

Senator DANIEL. But you put it in your tobacco, do you not? What is the largest per cent of licorice that you put in any pound of tobacco that you sell?

Mr. MILLER. What is the largest?

Senator DANIEL. The largest proportion of licorice in any of your brands of tobacco?

Mr. MILLER. Twenty per cent.

Senator DANIEL. So far as that licorice is in the tobacco, you get 32 cents a pound for it if it is on Virginia bright?

Mr. MILLER. We do not use it on that class of goods.

Senator DANIEL. What class do you use it on?

Mr. MILLER. We use it on goods that we sell to the consumer—3 ounces for 5 cents.

Senator DANIEL. Three ounces for 5 cents?

Mr. MILLER. Yes, sir.

Senator DANIEL. Twenty per cent of it being licorice?

Mr. MILLER. Yes, sir.

Senator DANIEL. What is the cost of that licorice to you, on the average?

Mr. MILLER. The only estimate I can give you is this: In our business last year in scrap, which is that part of our business, we did not make 1 per cent profit.

Senator DANIEL. On the licorice?

Mr. MILLER. On the whole of the output of scrap business last year.

Senator DANIEL. But that was not my question.

The CHAIRMAN. You may answer the question if you want to, Mr. Miller, but you are not required to answer it.

Senator DANIEL. Well, I will have to appeal to the "powers that be."

The CHAIRMAN. If you desire to answer it, you may; otherwise you need not.

Senator DANIEL. There are only two of us here, and one thinks one way and one the other; so it is a tie. I suppose you have no objection to telling me what that costs you?

Mr. MILLER. What that tobacco costs?

Senator DANIEL. No; the licorice, on the average.

Mr. MILLER. I simply object, Senator, to answering.

Senator DANIEL. The chairman objected. You did not object.

Mr. MILLER. I object to answering a question that will give away trade secrets.

Senator DANIEL. It does not cost you half as much as it would to buy it from the trust, does it?

Mr. MILLER. Yes, sir. It costs more than that.

Senator DANIEL. It does not cost you quite two-thirds?

The CHAIRMAN. I suggest, Mr. Daniel, that that is hardly fair. These men are not here to tell their competitors what everything costs them.

Senator DANIEL. I am no competitor of theirs, sir.

The CHAIRMAN. I know that, but this testimony is to be printed, and there are a lot of competitors interested. Mr. Daniel, we can not go on along this line to-day. We will have to postpone this hearing. It is now quarter past 11, and the Senate is in session.

Senator DANIEL. I am getting a little interested, and I hate to be interrupted at this stage.

The CHAIRMAN. We will have Mr. Miller here again if you want him, Mr. Daniel. We will ask him to come here at some other time, but we shall have to close this hearing now.

Senator DANIEL. I do not want to intrude any question upon you that would not be fair, Mr. Miller, but I feel that I am obliged to ask this as a part of your trade business.

Mr. MILLER. Senator, there is another way to look at that aside from the standpoint of the committee, and that is this: Every tobacco manufacturer in the United States to-day is looking at the licorice end of the business. There is nobody making licorice outside of the trust in this country but my firm. If we give that information away, it will have a far-reaching influence upon the general trade.

Senator DANIEL. We are giving away everything in the world that happens to the farmer, and I do not see why the manufacturer is any better. What does licorice root cost you in the market?

The CHAIRMAN. You can answer these questions or not, as you see fit.

Mr. MILLER. From 2 to 2½ cents per pound.

Senator DANIEL. And what else besides licorice root do you put in the licorice?

(The witness hesitated.)

Senator DANIEL. That is the main thing, is it not—licorice root?

Mr. MILLER. The main thing; yes, sir.

Senator DANIEL. And a little sugar?

Mr. MILLER. The root is the main thing to extract from.

Senator DANIEL. Yes.

Mr. MILLER. But we only get an extract from the root.

Senator DANIEL. That is right. Who do the other independent manufacturers in the association buy their licorice from? Do any of them buy it from you?

Mr. MILLER. No, sir.

Senator DANIEL. They all get it from the trust, then?

Mr. MILLER. Yes, sir.

Senator DANIEL. I will stop here.

The CHAIRMAN. Are there any other questions that you wish to ask Mr. Miller now, Mr. Daniel?

Senator DANIEL. We have not time now, Mr. Chairman. I am obliged to go in the Senate.

The CHAIRMAN. I want to ask him two or three questions before he leaves, because I do not know whether he is to come back here or not.

Senator DANIEL. If we are to go on with the examination, I should like to ask him some more myself.

The CHAIRMAN. Then we had better postpone this hearing until some time next week.

(The committee thereupon adjourned.)

STATEMENT OF THE NATIONAL CIGAR LEAF TOBACCO ASSOCIATION.

NEW YORK, *March 1, 1907.*

The CHAIRMAN AND MEMBERS OF THE SENATE COMMITTEE ON FINANCE:

On behalf of the National Cigar Leaf Tobacco Association, an organization representing practically all of the importers, packers, and distributors of foreign and domestic leaf tobacco in the United States, I desire earnestly to protest against the passage of H. R. 14972, "For the relief of tobacco growers," and commonly known as the free leaf bill.

The measure is objectionable from the point of view of the members of this organization for a variety of reasons. In the first place, it represents an attempt in behalf of a comparatively small proportion of the tobacco growers of the country to secure for a certain class of citizens important privileges which are denied to others equally deserving, but who are circumscribed in their business operations by stringent internal-revenue laws and regulations.

The bill before your committee is simply an entering wedge which its advocates hope will be followed by legislation in the interest of

the tobacco grower so liberal that he will be relieved of all the restrictions now imposed by law upon the registered leaf tobacco dealer and the cigar and tobacco manufacturer. This measure was presented to the Ways and Means Committee, together with several similar bills, at least one of which provided that the grower should have the right to manufacture his tobacco in any way he might see fit, including the production of cigars, cigarettes, etc., without the payment of tax. While this last-mentioned bill was rejected in favor of the pending substitute, it shows the tendency of this legislation in an unmistakable manner.

The most important objection to this measure, in our opinion, is the fact that it permits any person to become a retail or a wholesale dealer in leaf tobacco without registration, without the keeping of any records, and without any form of governmental supervision. Under this bill, if enacted, there can be no doubt that an army of irresponsible, unregistered, and unlicensed dealers would immediately be brought into existence and enabled to compete upon specially advantageous conditions with regularly registered and licensed dealers who are obliged to keep complete internal-revenue records. Such unregistered dealers would not only drive the legitimate dealers out of business, but they would constitute a grave menace to the Federal revenues, as they would constantly invite unscrupulous manufacturers, licensed or otherwise, to purchase material from them on the ground that the Government would have no record whatever of the transaction. A manufacturer willing to perpetrate a fraud upon the Government would be greatly facilitated in his operations by such a class of leaf dealers, and the loss to the Government as well as the demoralization of the tobacco industry that would ensue can hardly be overestimated. The provision in the bill requiring leaf dealers to register as such if they sell to manufacturers would prove a dead letter from the outset. No one but the unscrupulous manufacturer and the dishonest dealer having any knowledge of the transaction, it is obvious that no record would be made of it.

The proviso at the end of this measure to the effect that "farmers and growers of tobacco may sell leaf tobacco of their own growth and raising to manufacturers of tobacco, snuff, or cigars, without being considered leaf dealers or manufacturers of tobacco, and shall not be subject to the sections of the law and amendments thereof above named" proposes to reenact a most inequitable provision of the law which we had hoped to see repealed long ere this. The internal-revenue laws and regulations provide for the keeping of an elaborate series of records by cigar and tobacco manufacturers of all grades and also by leaf dealers for the purpose of enabling the Government to trace every pound of leaf tobacco entering the factory of a manufacturer. Leaf dealers are also required to keep records showing by daily entries in detail every pound of tobacco purchased from the grower or from another dealer and every pound that may be sold to another dealer or to a manufacturer. The expense of maintaining these records for some five thousand leaf dealers runs into the millions annually, and yet such records are rendered practically valueless to the Government by reason of the fact that growers of leaf tobacco are permitted to sell to the manufacturer direct without keeping a record of any kind.

A dishonest manufacturer may buy tobacco in any quantity from a grower, and by omitting to enter it in his internal-revenue book may deprive the Government of the means of tracing such a transaction. Should he then fraudulently withdraw from his factory the goods represented by the tobacco thus excluded from his records, and should the Government have cause to suspect such fraud, the internal-revenue agents will at once proceed to investigate the books of every registered leaf dealer with whom the manufacturer may have had dealing within the past two or three years, and the integrity of such dealers, no matter how reputable they may be, will be brought under suspicion, while the farmer who actually sold the tobacco excluded from the manufacturer's records and who may or may not have been cognizant of the projected fraud escapes both suspicion and the annoyance incident to an official investigation.

In our opinion the records of the Internal-Revenue Service showing the transactions between growers of tobacco and dealers are valueless to the Government no matter in what form they may be kept, but on the other hand we do not think that the grower or any other individual should be permitted to sell leaf tobacco to a manufacturer without making a detailed record of such transaction.

A. BIJUR,

President National Cigar Leaf Tobacco Association.

PROTEST OF THE CIGAR MANUFACTURERS' ASSOCIATION OF AMERICA AGAINST THE PROPOSED FREE LEAF BILL, H. R. NO. 14972.

Under the law as it is at present, farmers may sell their leaf tobacco without keeping any books, and without being subject to provisions of Federal statutes, imposing restrictions of any kind (act of August 28, 1894, 28 Stat., 509). Every other person who buys or sells leaf tobacco is required to become a licensed leaf dealer, and is required to make daily entries in internal revenue books of his shipments of tobacco, showing to whom shipped and the location thereof (Rev. Stat., sec. 3360). Every other person besides the farmer and the leaf dealer, who handles tobacco, is a manufacturer either of tobacco or cigars, as leaf dealers themselves can not sell for consumption.

Every manufacturer of cigars is required to register with the Internal Revenue Department, to describe particularly his premises, to give bond for his compliance with the internal-revenue laws, and he is required to make at his beginning business, and from time to time during his continuance in business, and when he stops business and wishes his bond released, full inventory showing leaf tobacco received by him and his disposition thereof, and when there is a deficiency in the quantity of cigars produced by him when compared with the leaf tobacco shipped into his factory, he suffers heavy penalties and forfeitures on account of such deficiency.

The requirement upon leaf dealers that they shall report sales made by them to the Internal Revenue Department is of course intended

as a check upon those reports and inventories made by the cigar manufacturers as well as those made by tobacco manufacturers. There are more than 20,000 registered cigar manufacturers in the United States. There are, of course, many more than 20,000, perhaps 100,000 practical cigarmakers in the United States. Of course, among the more than 20,000 registered cigar manufacturers there are many irresponsible people and the temptation, especially in cheap cigars, to fraud upon the revenue is apparently great. The \$3 per thousand tax is a very large item of cost. On account of these things, and especially the temptations of the registered cigar manufacturers and the fact that many such registered cigar manufacturers are irresponsible, the Department of Internal Revenue has found it necessary to enforce strictly provisions of the law intended to prevent frauds on the revenue and it has been justified in this course. In addition to this the Internal Revenue Department has kept engaged quite a large and efficient secret service. Even recently, and in order to have a more complete check upon cigar manufacturers, the Commissioner of Internal Revenue has found it necessary to promulgate regulations requiring separate reports of shipments and sets of books to be kept at each warehouse or storage place from which leaf dealers ship tobacco.

It goes without saying that these frauds upon the revenue do an injury to cigar manufacturers who do not resort to such frauds, and who conduct business along legitimate lines, greater even than the injury to the Government itself. No manufacturer, especially of low-priced cigars, can meet the competition of a manufacturer who, by fraud or otherwise, saves \$3 a thousand on his manufacturing cost.

Now, it is proposed by the so-called free leaf bill that leaf tobacco, whether that grown in Kentucky and Virginia, and suitable only for consumption as tobacco, or that grown in Connecticut and Wisconsin, and especially suitable for the manufacture of cigars, may be carried in stock in packages of any size whatsoever and sold by ordinary wholesale or retail merchants throughout the country without any tax, restrictions, or regulations whatsoever, save that if such leaf tobacco is sold to a registered manufacturer, the dealer so selling must register as a leaf dealer and make the report now required of a leaf dealer.

Frankly conceding that leaf tobacco, as such, is not in competition with cigars, legitimate cigar manufacturers, it is respectfully submitted, have a real interest in this bill not inferior to the interests of tobacco manufacturers. It is respectfully submitted, moreover, that in all probability the bill, if it becomes a law, will in its practical operation result in as great detriment and as great injustice to cigar manufacturers as to tobacco manufacturers.

The attention of the members of the Finance Committee and the Members of Congress is invited to what would be the real conditions if this bill should become a law: In any of our towns and cities, in any retail tobacco stores, at least, any person whatsoever could buy Connecticut, Wisconsin, Ohio, or Pennsylvania leaf tobacco, paying therefor a price that would be regulated by competition among such retail stores, and would in any event not include the payment of an tax whatsoever. He could get different kinds of such tobacco—Connecticut leaf for his wrappers and Ohio or Wisconsin leaf for his fillers, and he could get it done up in 1, 2, 5, 10, or 20 pound pack-

ages. Unless such purchaser were a manufacturer of cigars, and a *registered* manufacturer, the retail dealer who sold tobaccos to him would make no report whatsoever, and certainly the wholesale dealer who sold it to such retail dealer would make no report whatsoever, so the Internal Revenue Department would have no information whatsoever with respect to this tobacco. In every city and town there are numerous practical cigarmakers, men and women; for certain types of cigars no tools are required—merely a pocket knife for the cutting of the leaf and a table for the rolling of the cigars. It is not a fanciful thing, but a very practical and likely result from the enactment of such a law, that in every city and town cigars aggregating thousands, and even millions, would be manufactured and sold, not by registered cigar manufacturers, but by unregistered, practical cigarmakers, who could buy their raw material free from Government inspection and annoyance.

Besides that, how easy would it be for the small and irresponsible registered cigar manufacturer to get his leaf when he could buy it from one or more of hundreds of retail tobacco dealers in a city or town, none of whom need know he is a registered cigar manufacturer? To make more stringent the internal-revenue regulations, in order to prevent frauds and at the same time to enact into law such a bill as the free leaf bill, seems to us to be stopping the spigot and opening the bung.

To keep within reasonable bounds the business of manufacturing and selling nontax-paid cigars, if this so-called free leaf bill should go into operation, would, we confidently assert, require a secret-service department larger than a standing army.

It may be said, however, that the mere purchase of tobacco suitable for making cigars would lay the purchaser open to the suspicion that he intended to violate the law and sell nontax-paid cigars, and that this fact would tend to make insignificant the amount of such illegitimate business. Such is not the case. The same leaf tobacco that is used in cigars is capable of use in any other form of tobacco. It may be chewed and it may be smoked. Within the past ten years or more there has grown up a large and increasing tobacco business in what is known as "scrap" tobacco. Scrap tobacco has for its raw material pieces of cigar leaf produced in the manufacture of cigars. Generally this cigar leaf has sprinkled upon it or otherwise applied some sweetening compound.

But any retail tobacco dealer or other merchant would be justified, and certainly could not be called legally without justification, in assuming that any purchase from him of cigar leaf tobacco was intended by the purchaser to be used as a substitute for or in lieu of ordinary scrap tobacco.

Indeed, the ease with which this untaxed cigar leaf might, without processes of manufacture, be made and substituted for scrap tobacco furnishes another reason why cigar manufacturers are opposed to the free leaf bill. During the last ten years the cigar manufacturers have been greatly benefited by the growth of the scrap-tobacco business; it has furnished them a market for the scraps or pieces inseparable from the business of the manufacture of cigars, which is a very substantial source of revenue. Great brands of this scrap tobacco have been established, and the revenue from the sale of this raw material

has been on the increase. It seems to us that under full operation of a law which permits the sale of leaf tobacco free of tax the scrap-tobacco manufacturers will be unable to maintain their volume. Of course our scraps or pieces of tobacco could not be sold without the payment of tax, because it will have been put through accidental processes of manufacture in the production of cigars. Under such operation we would expect to see a decrease in what we would otherwise realize from this substantial by-product that seems to us would be entirely unjust.

Above all, however, we earnestly believe that under the full operation of this proposed law the opportunities for and temptation to frauds upon the revenue and frauds upon us as legitimate cigar manufacturers would be multiplied a hundredfold, and we respectfully but earnestly protest against it.

WALTER A. SCHIFFER,
Treasurer.

**STATEMENT FILED BY WILLIAM WOLFF SMITH, WASHINGTON
REPRESENTATIVE OF THE CLEAR HAVANA CIGAR MANUFACTURERS' ASSOCIATION.**

The manufacturers of clear Havana cigars in this country join with all other manufacturers and dealers in leaf tobacco in protesting against the passage of what is known as the "free leaf" bill. It is designed to benefit the raisers of only one type of tobacco, produced in a limited area, and of which at least 80 per cent is exported. It is apparent, therefore, that Congress is asked to upset the entire tobacco business of the United States, amounting to hundreds of millions of dollars annually, to advance the interests of a comparatively few parties who sell only 20 per cent of their product in this country. As there is no general demand for this legislation, while the opposition to it represents directly and indirectly every State producing or manufacturing tobacco, it seems that the weight is against the bill.

All cigar manufacturers oppose this measure, first, because it proposes to place in competition with their taxed product the raw untaxed material which can be used for precisely the same purposes as the taxed articles. Second, because it opens the way for fraud to the detriment of the honest manufacturers. At present the manufacturer purchases his material from registered dealers and by an elaborate system of bookkeeping the Government traces every pound of cigar leaf from the time it comes into the possession of the leaf dealer until it is placed on the market in the shape of cigars. Under this bill, however, the dishonest manufacturer could buy quantities of leaf from dealers and produce quantities of cigars, evading the tax on the cigars. He could not market these cigars in boxes, it is true, for they would have to be stamped and by comparing the quantity of leaf purchased from registered dealers with the output, the inspectors could easily discover if the manufacturer was exceeding the proper proportions, but he could dispose of them in bulk to unscrupulous dealers. Thousands of dealers would have the way opened for defrauding the Government easily and without fear of detection. Many cigar stores have connected with them small cigar factories

operated by the proprietor or one or two hands. They could buy leaf from the farmer or leaf dealer, make the same into cigars, and fill the cigar boxes in their cases whenever empty. No record being kept of the leaf purchased, there would be none of the output disposed of in this manner. "Box stuffing" is one of the greatest evils of the trade, and no one suffers from it more than the clear Havana cigar manufacturers. With the exception of the Cuban cigars, those made by members of this association are the highest-priced cigars sold in this country. They are made from Cuban leaf, and it is interesting to note that some of them retail as high as \$1 each. Consequently, when dishonest dealers refill boxes they are more likely to select the imported and the clear Havana than a cheaper cigar of domestic tobacco.

Encouraged by legislation, large sums of money have been invested in this country in factories engaged exclusively in manufacturing tobacco from Cuban leaf. Some years ago Congress indorsed the Cuban reciprocity treaty, under which the reduction in duty on cigars was out of all proportion to the reduction of duty on the imported leaf. We hope it will not go further and facilitate illicit competition with our products. If it were proposed to remove the tax from tobacco used in the arts or sciences, or for fertilizing, or for other purposes, we would not object so strenuously. But it is proposed to let one class of smoking tobacco go untaxed while taxing another class, which is so unfair and unjust a proposition that it can scarcely appeal to you.

W. W. SMITH.

The following letters are printed at the request of Hon. John Wesley Gaines, a Member of Congress from Tennessee:

E. M. FLACK & CO., LEAF-TOBACCO BROKERS,
Hopkinsville, Ky., January 13, 1904.

HON. JNO. W. GAINES,
Washington, D. C.

DEAR SIR: On yesterday a friend of mine handed me a copy of your speech delivered in the House of Representatives in support of a bill introduced by you, asking that the revenue laws be so amended as to allow farmers and dealers to sell tobacco to consumers in its natural state free from tax. I gave this speech a careful reading last night and write to thank you for your commendable efforts on behalf of the farming interests of our country.

It seems to me that if the representatives of the people could be made to understand the great depression now prevailing throughout the dark tobacco district, they would not hesitate to give them some relief. This, of course, as you fully understand, is not a party question, as there are more Republicans suffering than there are Democrats, as at least 60 per cent of all the dark tobacco grown is the product of negro labor, and as you well know a great majority of these people have to farm on shares, the land-owner furnishing the land, team, and implements, as against the laborer and his family, and the usual equitable division is about one-half each. Now, take a negro man, his wife and children, and suppose they cultivate 10 acres of tobacco, which would likely yield 7,000 pounds, and as the price now is about 4 cents average or less, he would receive one-half the proceeds, or \$140 for a year's work for himself and family. From this you can see it is simply starvation. This does not apply to negroes only but to poor white people who own very small and very poor farms, and from which they get no monied crop except tobacco. It can be demonstrated beyond question that many poor, white and black, do not realize 30 cents per day for their labor in cultivating tobacco.

Now, if the cultivation of tobacco or the use of tobacco is a vice the Congress of the United States ought to pass a law prohibiting the cultivation thereof; if, on the other hand, it is a legitimate agricultural product, then why should it be so taxed as to deprive the laborer of reasonable compensation for his work? We know that tobacco

is classed as one of the luxuries—this we admit—but we know that whisky, brandy, sugar, coffee, tea, and many other things are also luxuries. As to whisky, the argument placing this and tobacco on the same footing will not hold good, as whisky is simply a by-product, in one sense, of corn, as we know that the swill beer or slop from the still house will feed as many cattle and hogs after the whisky has been distilled from it, as it would have done before it was boiled, and in addition to this corn makes bread, starch, glucose, and sugar, and feeds horses, mules, cattle, sheep, hogs, turkeys, chickens, and ducks, and in addition, in the Far West it has heretofore been used as fuel. So, then, if the manufacturing of whisky was absolutely prohibited it would not affect the price of corn 2 cents per bushel, whereas the tax of 6 cents on natural leaf tobacco amounts to almost an inhibition so far as the laboring man is concerned, and just why our legislators do not see it in this light the people of the dark growing districts are at a loss to understand.

Now, we do not ask that the tax on manufacturing tobacco be removed. If the trusts and combines wish to continue the manufacture of tobacco, changing it from its natural state by using in the manufacture thereof molasses, sugar, glucose, licorice, salt, and copperas, we have nothing to say against their doing so and the Government collecting 6 cents per pound thereon. All we ask is that the farmers and dealers be allowed to sell to consumers leaf tobacco in its natural state free from tax, just as all other people are allowed to sell their agricultural products.

I am not a tobacco grower, but am simply a tobacco broker, and it matters very little to me whether there is a tax on tobacco or not, as I get the same commission, tax or no tax. I write this simply on behalf of those who I know are being impoverished by this unjust taxation.

You will pardon me as a Kentuckian for presuming to write to you, and would not likely have done so if I had not read your speech referred to above. I feel, however, we have a common interest in this matter, and while in Washington in the early days of December, I discussed this matter with Representatives Hopkins, Trimble, Smith, Stanley, and James, of Kentucky, urging upon them the importance of this matter, and had hoped to meet you and form your acquaintance, but circumstances forbade.

I am in continued communication with our Representatives, Mr. Stanley and Mr. James, who are in hearty sympathy with this move, and I beg to say that I am ready and willing to do anything in my power to assist in the passage of this law. It would be well for our Representatives to fully understand that Italy, France, and Spain absolutely prohibit the shipping of tobacco into those countries; they fix the price and buy it through their agents. On this subject I would be glad to say more in the future.

Yours, very truly,

E. M. FLACK.

[M. H. Clark & Bro., leaf tobacco brokers, Nashville, Tenn.]

ATLANTA, Ga., January 25, 1904.

HON. JOHN W. GAINES,
Washington, D. C.

MY DEAR SIR: Your various letters have been forwarded to me here, where I have been for about six weeks in close attention upon my wife, who is very sick and under medical treatment.

It is a source of profound regret to me that I have been absent from Clarksville and unable to second your able efforts in behalf of the tobacco planters and tobacco trade. It is almost impossible to organize planters and farmers for any effort for their good. We did much hard work last winter on this line, but with very little success. I have thought all along that more could be accomplished by repeal of past legislation and more easily than by new acts, which are often not understood and meet much opposition. Before the passage of the so-called Wilson bill in 1894—the internal revenue part—there was free trade by everybody to everybody in crude leaf tobacco to consumers and others, as in other agricultural products; and if a short bill could be offered repealing all parts of the Wilson bill which restricted the sale of leaf tobacco to consumers, being unconstitutional and injurious legislation, I believe it would pass. This is all that is needed by planters and the trade. There were no restrictions up to 1894, and they should be removed. Our tobacco district owes you debts of gratitude for your labors of the past, and all of the tobacco districts are watching your present efforts. Would it not be a good idea to put in another bill repealing the restrictive sections of the Wilson bill and have both bills before Congress at same time? Our Senators will help you. With warm regards, I am,

Faithfully, yours,

M. H. CLARK.

LEAF TOBACCO LAW EXPLAINED—FARMER TIED HAND AND FOOT.

NASHVILLE, TENN., October 18, 1905.

DEAR SIR: Replying to your recent inquiry, to wit, "Do the revenue laws prohibit a farmer from selling his tobacco in the hand out in the counties where they do not raise any and have to buy all they use?" I have the honor to answer as follows:

Without qualifying as a manufacturer and without paying any tax the farmer can sell his own growth and raising of tobacco, or that received from his tenant as rent, in the stalk, severed or unsevered, from the soil or in the leaf or hand, raw or simply cured, anywhere, in any amount, to anybody. This answers your question.

Or, differently stated, and in the words of the Department construing the law:

"Every person who sells raw leaf or leaf tobacco *not of his own growth or raising to any person other than a qualified dealer in leaf, manufacturer of tobacco or cigars, or exporter, will be held liable as a manufacturer of tobacco, and leaf tobacco so sold by such person will be regarded as manufactured tobacco and subject to a tax.*"

In other words, "every person" who sells to consumers or by retail *leaf tobacco not of his own growth and raising, or if he does not sell it to consumers or retailers, but sells it to some one else not a dealer, manufacturer, or exporter, such person or such seller must under the law qualify as a manufacturer and pay 6 cents tax on his leaf so sold, it being "regarded" by the law as "manufactured tobacco," because not owned and sold by the farmer who owned and grew it, nor sold to dealers, manufacturers, or exporters.*

The existing law as to the sale of leaf tobacco is found in section 69, Wilson tariff act, August 28, 1894.^a The McKinley tariff act, October 1, 1890, reduced the tax on "manufactured tobacco" from 8 to 6 cents.

Section 69, above cited, made leaf tobacco liable to be taxed at 6 cents.

The Department, December 10, 1894, ruled that allowing the farmer to *sell his own growth and raising of tobacco, without qualifying as a manufacturer, "is a personal right" (and at a later day ruled that it "is a personal privilege") which he can not delegate to others.*

The right to *not* be a manufacturer is the right of every American citizen, because he is an American citizen.

Nevertheless, as a result of this harsh construction of the law, the Department has further ruled:

(1) The farmer can peddle his leaf, but he must do so "*himself.*" (Internal-revenue decision, Nov. 16, 1897.)

(2) "A farmer can not employ an agent to travel from place to place and sell and deliver his tobacco, but that he may himself sell and deliver the tobacco in any quantity; that if the tobacco is sold on sample by an agent, it must be delivered by the farmer or grower himself directly to the consumer. (Internal-revenue decision, Jan. 3, 1899.)

(3) "In this connection it is well to state that the privilege granted the farmer or grower of selling his tobacco to any person and in any quantity is a personal privilege which can not be delegated by him to another person, and he would not have the right to ship his tobacco to another person to be sold by such person directly to consumer, but he may place it in the hands of a *qualified dealer in leaf tobacco* to be sold to other *qualified dealers or to manufacturers, or to persons who purchase tobacco in packages for export.* (Internal-revenue decision, Jan. 3, 1899.)

(4) "If the tobacco is placed in the hands of an authorized person who would sell or attempt to sell and deliver the same to consumers, it would be liable to seizure and forfeiture, and the person so selling the same would be subject to prosecution for engaging in and carrying on business without qualifying as a manufacturer and properly packing his tobacco and labeling, marking, branding, and stamping the packages." (Internal-revenue decision, Jan. 3, 1899.)

Thus you see that, while the farmer can sell his own growth and raising of leaf tobacco or that of his tenants, to any and every one, he can not employ an agent to sell to anyone and everyone. The farmer is thus denied the *full* benefit of the law of agency in selling his leaf tobacco, but as to all other agricultural products, he is fully protected by that law.

It is no answer to this condition of the tobacco farmer to say that "he can employ a dealer in leaf to sell for him," because that dealer can only sell to three classes—dealers, manufacturers, and exporters—while the farmer can sell to *any and everybody.*

Paragraph 2, section 69, Wilson Tariff Act, imposed these burdens on the farmer, and this tax on leaf tobacco when sold by purchasers to consumers or by retail. This act repealed the McKinley tariff, which untaxed leaf and persons selling it, and only required those who sold it to keep books showing their sales, names of purchasers, and their places of business, to trace the leaf sold, if necessary.

The McKinley tariff allowed the farmers to sell their own growth and raising of tobacco in the leaf by simply keeping these books. Retail dealers in leaf brought and sold leaf and simply kept these books. Dealers in leaf and manufacturers could and did qualify as retail dealers in leaf and bought and sold it the same way, and at the same time continued their respective businesses as dealers in leaf and manufacturers.

But under the present law the retailer (farmer excepted, as stated), the dealer, and the manufacturer who sell leaf tobacco by retail or to consumers, must qualify as manufacturers and pay the tax of 6 cents on the leaf thus sold, which is regarded when so sold as manufactured tobacco, although it is the identical leaf they bought of the farmer and in the same condition—raw, in the leaf, or in the hand—as when the farmer sold it to them untaxed and unmanufactured and without the farmer qualifying as a manufacturer.

Any change to the natural leaf, whether by hand, machine, or otherwise, except to cure it in the ordinary way, makes the leaf manufactured tobacco, and taxable (par. 1, sec. 69, Wilson tariff act), and the person changing it, for sale or gift, becomes a manufacturer.

The present law, imposing this tax on leaf tobacco and burdening nonproducers who sell it to consumers or retailers, has crushed out of commercial existence the retail dealers who operated under the McKinley Act, and prevents others from now embarking in that business. The retailer was one of the farmers' best customers.

If this law is repealed, the farmers' hands and feet will be untied. The abominable rules above named, if ever necessary, would be unnecessary and abrogated. The retailers will revive, compete amongst themselves with the tobacco trust and all others for the farmers' leaf, thus giving him a better price for his tobacco and an open chance to all parties to buy and sell it in the leaf.

I introduced a bill in the Fifty-seventh and Fifty-eighth Congresses to repeal this tax and to give the farmer, with his own product, the right to sell it through any duly authorized person or to hand stem or hand twist and hand press, etc., the same and sell it free of tax.

Unanimously the House of the last Congress passed the bill untaxing leaf in any person's hands, which would have also abrogated the rules of the Department, which deny the farmer the full benefit of the law of agency.

The Congress adjourned before the Senate had concluded its investigation of that bill.

We hope this Congress will repeal, at least, this tax law. Its repeal will operate, in a great measure, as an entering wedge for more relief in the near future, I trust. The farmer should have more relief, but as this tax produces no revenue we may succeed, if we all unite, in securing the repeal of the law imposing it.

This will allow any person to sell leaf tobacco as we now sell wheat, corn, and rye.

This subject is so very important that I thought it proper to thus write you fully.

I thank you very much for your kindly expression of approval in the matter of my assistance, gladly rendered, for the relief by Congress of the old Confederate soldiers. I rejoice to know that feeling toward Confederate soldiers is far more kindly, not only in Congress, but throughout our glorious Republic.

Yours, very respectfully,

JOHN W. GAINES.

MR. JOHN B. EDELIN,
Shiloh, Tenn.

OFFICE OF JNO. W. GAINES, M. C.,
Nashville, Tenn., July 20, 1904.

DEAR SIR: The Attorney-General of the United States, responding to my complaint made to him May 10 last, that the "tobacco trust" had conspired unlawfully to restrain and monopolize interstate and foreign trade and commerce in tobacco and control prices, to the great injury of tobacco growers, and suggesting that he "cause proper action instituted in the courts, civil and criminal, to dissolve the trust, to enjoin its operations, and to punish the individuals who are so flagrantly and contemptuously defying the law," invited me "and others" to lay such facts and circumstances as would tend to substantiate the charges, which come within my knowledge or the knowledge of any of our people, before the district attorney at Nashville, that it may be determined whether or not the powers of the courts could be invoked as suggested.

Thereupon a mass meeting of tobacco growers was called and assembled at Springfield, Tenn., early in June, where the matter was considered, resulting in the creation

of an "Evidence committee," the chairman of which is Mr. Felix G. Ewing, Glenraven, Robertson County, Tenn., with instructions to investigate and ascertain as nearly as practicable what proof exists and can be adduced in court tending to show that a combination or agreement exists between any of the several tobacco companies that buy tobacco in this country, how far and in what respect it attempts to restrain such trade and commerce in tobacco, monopolize buying and control prices.

The committee must know the facts and circumstances exactly as they can be sworn to in order that the persons knowing the same may be called to testify to them in court. It is not assumed that any of our people know of their own knowledge that such agreements were made. None of us were present or parties to it, and of course we can not swear to it, but all of us may know facts and circumstances clearly pointing to and indicating such an agreement and which will constitute circumstantial evidence of its existence. The fact that such an agreement was made is predicated on evidence we are trying to secure, in addition to other data, tending to show, or actually showing, that the tobacco buyers are acting under such agreement and not in competition.

Conspiracies are rarely established by direct proof of the agreement, but the very strongest evidence is always found in the subsequent actions of the parties.

The Attorney-General having thrown upon me the burden of discovering the proof and the persons who know the circumstantial facts that go to prove an unlawful combination, and invited me "and others" (meaning you) to furnish the same to the district attorney at Nashville, I have decided to comply with that invitation in conjunction with the evidence committee by asking you to furnish its chairman (Mr. Ewing) with such facts as you may know, by responding to the following questions as far as you can, stating only such things as you would be willing, if called upon, to swear to in court:

1. Name the tobacco companies, firms, agents, or persons who were the principal buyers of tobacco raised in your vicinity previous to 1902.
2. Name the companies, etc., now buying that tobacco.
3. Is there now competition in buying, and, if not, when did it cease?
4. Did competitive buyers visit your neighborhood or your county towns previous to 1902, and do they do so now?
5. Has the change affected prices, and how?
6. What restrictions or restraints are now placed by buyers upon trade and commerce in tobacco?
7. For what market is your tobacco bought?
8. Were there competitive buyers from that market previous to 1902, and is there competition now? State fully in detail.
9. State specifically who and how many companies, firms, agents, or persons used to buy your tobacco, who and how many of them are now buying, and when any of them quit buying.
10. Have you ever heard any agent of buyers or companies make any statement about an agreement between tobacco companies? If so, state who, and when, and what he said.
11. State several different circumstances coming within your knowledge relating to your own sales, or to sales by your neighbors or others, in which it appeared that competition had been eliminated. Give several incidents of this kind.
12. State any fact of any nature coming within your knowledge tending to show that an agreement exists between buyers, that competition has been done away with, or that any restraint has been placed upon the sale of tobacco for shipment to another State or abroad.
13. State fully the manner of selling previous to 1902 and the manner of selling now, and what effect it has had upon prices and an open market, and how and in what respect it has limited or placed restraint upon trade and commerce in tobacco.

Please respond categorically, numbering your responses to conform to the questions. Be concise and clear, giving facts, writing plainly, and attach it to this and mail it to Mr. Ewing as early as practicable. Please reply to *every* question—they may seem to be repetitions, but each has its separate purpose and importance. It is very much hoped and desired that you take a lively interest in this matter, and that you will not fail to respond because others are doing so. We want to make a convincing and a convicting case.

Very truly, yours,

JNO. W. GAINES.

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